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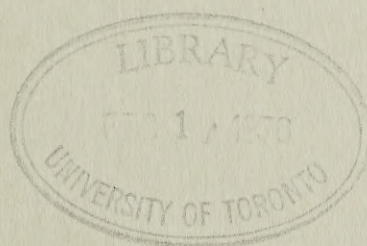
contains 10 AIR submissions

Ontario Legislative assembly [committees]
Select committee on consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

Hearings Held At Parliament Buildings

Toronto, Ontario, 5th Day of December, 1963





1 ---UPON RESUMING AT 10:00 A.M., DECEMBER 5, 1963.

2 THE CHAIRMAN: Ladies and gentlemen,
3 we have with us this morning Mr. Katz, Vice-President
4 of Victory Finance Corporation Limited. He is
5 accompanied by Mr. O. Levy, who is Treasurer and General
6 Manager of Victory Finance Corporation Limited. A
7 brief has been prepared on behalf of the Company and I
8 believe Mr. Levy is going to read the brief, or Mr.
9 Katz?


10 MR. KATZ: Mr. Levy.

11 THE CHAIRMAN: Mr. Levy, yes. Carry
12 on then, please.

13 MR. LEVY: The Victory Finance
14 Corporation Limited was chartered in 1937, with the
15 purpose of conducting business in the consumer loan
16 field. The company is totally owned, capitalised, and
17 managed by Canadians. We have remained a relatively
18 small licensed consumer loan company, acting in a sea
19 of every-increasing competition.

20 Under the jurisdiction of the Small
21 Loans Act, our loans range from \$50.00, up to \$1,500.00.
22 We also make loans in larger amounts. We are strictly
23 supervised, on an annual basis, by the Federal Super-
24 intendent of Insurance, and an official of the depart-
25 ment makes an annual audit and inspection of our books
26 and records every twelve months.

27 In all the years we have been engaged
28 in business, no complaint has been brought to our
29 attention by the Department of Insurance. Many people,
30 who have done business with us in past years, return



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1 when new needs arise. This is a very clear indication
2 of our relationship and goodwill with our customers.

3 Acceptance of a small loan application
4 by our company is based primarily on the character of
5 the individual and his ability to repay the loan.
6 Security, such as chattels, is a secondary consideration.

7 Our chattel mortgage and promissory
8 note, under the Small Loans Act, gives full disclosure
9 of effective rate of interest per month and per annum.
10 Over \$1,500.00, our loans vary from a simple interest
11 rate of 10% per annum to 24% per annum, payable monthly,
12 depending upon the type of loan and the risk involved.

13 Canada has the lowest consumer loan
14 rate in North America. We recall quite vividly when the
15 Small Loans Act was passed. It immediately dissipated
16 high interest rates and unethical practices of that day,
17 which had given the business such a bad reputation. As
18 one of a group of ethical lenders, we were quite happy
19 that the Act was passed.

20 Any legislation that is sensible and
21 realistic in the consumer credit field would have our
22 endorsation. However, it should be carefully studied
23 to see that it can be practically applied.

24 The question of disclosing the effect-
25 ive interest rates on loans is not something new to us.
26 As we mentioned previously, per month and per annum rates
27 are shown on our documents under the Small Loans Act.
28 Our business has neither increased nor decreased as a
29 result of such disclosure. Therefore, from a business
30 point of view, we have no objection. However, the



1 question arises as to whether the borrower understands
2 what amount he is paying, in terms of dollars. For
3 instance, many otherwise well-informed people believe
4 that 24% per annum on consumer loans results in a cost
5 to the borrower of \$24.00 per annum per \$100.00 of loan
6 made, whereas, in fact, the cost to the borrower is
7 \$13.46 per annum per \$100.00 of loan made, because the
8 rate is applied to reducing balances month by month.
9 In order to ensure that the borrower understands the
10 cost, we explain the cost in dollars, to give him a
11 complete picture.

12 Similarly, a man applying for a one
13 year loan of \$1,000.00, who is told that the effective
14 rate of interest payable in equal monthly payments is
15 approximately 18% per annum, will invariably think that,
16 in terms of dollars, this will amount to \$180.00. We,
17 therefore, have to go one step further and explain
18 that the total charge of the contract (if the contract
19 goes the full term) is approximately \$100.00, because
20 the rate is charged on declining monthly balances.

21 In the final analysis, it is the
22 reliability of the individuals or firms engaged in the
23 consumer credit business that is of most importance.
24 Evidence of honesty, character, and fitness, should be
25 required of all prospective licensees, and should be
26 included in any proposed legislation.

27 We cannot believe that this Committee,
28 or any legislative body, would pass new legislation which
29 would confuse the borrower, by stating "disclosure of
30 interest" only. From our experience over the past



1 twenty-six years, we find that the borrower is primarily
2 interested in what it is going to cost him in dollars
3 and cents.

4 A major problem confronting the public
5 is the ease with which anyone can enter the consumer
6 credit field. It would appear to us that some form of
7 restriction should be applied before a firm or company
8 can use the word "FINANCE". Lack of restriction permits
9 unethical practices in the industry. The word "LOAN"
10 cannot be used in a Company name, unless it is under
11 the Loan and Trust Companies Act when incorporating. We
12 suggest that the word "FINANCE" be permitted only when
13 the Company concerned has met the requirements of
14 character and fitness mentioned in the previous para-
15 graph.

16 The trend in the industry, as we see
17 it, indicates ever-increasing administrative costs and
18 increasing competition. As a result, we see that only
19 those companies who are prepared to give competitive
20 rates and operate most efficiently will remain in
21 business. We firmly believe that the licensed consumer
22 loan companies have played, and are continuing to play,
23 an important part in our economy, and will continue to
24 do so.

25 We welcome this opportunity to appear
26 before the Select Committee, because we believe that
27 you gentlemen are interested in conducting a serious,
28 objective inquiry. This is bound to reflect credit on
29 the ethical companies in the consumer credit field, whose
30 business principles assure fair dealing and a high degree



1 of responsibility to the public.

2 THE CHAIRMAN: Thank you. Mr.
3 Sedgwick?

4 MR. SEDGWICK: I have only one or
5 two questions. Mr. Levy, merely for information, about
6 what volume does your Company do?

7 MR. LEVY: Oh, about 600 to 650,000
8 a year.

9 MR. SEDGWICK: 650,000 a year.
10 Roughly, percentage-wise that is, about what percentage
11 of that would be business that comes within the
12 Small Loans Act?

13 MR. LEVY: Oh, about 20 or 21%.

14 MR. SEDGWICK: So that something
15 like 80% of your business would be in the higher bracket?

16 MR. LEVY: That is correct, Mr.
17 Sedgwick.

18 MR. SEDGWICK: And in that kind of
19 business, of course, you are not restricted except by
20 the action of the market?

21 MR. LEVY: That is quite correct.

22 MR. SEDGWICK: Yes. Then, and this
23 is a comment rather than a question. On page 4, the
24 third paragraph, you say you believe that "new legis-
25 lation which would confuse the borrower, by stating
26 disclosure of interest only. I think I may say that
27 it has never been suggested to this Committee or by this
28 Committee that it would only be disclosed. It has been
29 suggested that the dollar cost should be disclosed and
30 in addition interest expressed in terms of a percent.



1 Would you have any objection to that?

2 MR. LEVY: No, none whatsoever.

3 MR. SEDGWICK: Then again, this is
4 hardly a question, it is more a comment. At the bottom
5 of page 4 and the top of page 5, you suggest that the
6 word "Finance", if it is to appear in the incorporate
7 name of a company, should only be permitted after the
8 company has met requirements of character and fitness.
9 Had you in mind about the same restrictions as apply to
10 a company with the word "Loan" in its corporate name?

11 MR. KATZ: Yes. Well, as you members
12 probably know by now, anyone, whether he's a used car
13 dealer or a broker, anybody can incorporate a company
14 and call themselves a finance company. Unfortunately
15 in our industry we have to cope with one extreme to the
16 other and we are all, of course, lumped together and
17 naturally there is a certain amount of smell that arises
18 through all finance companies as a result of a number of
19 those bad apples. We firmly believe that the Committee
20 should seriously consider some form of regulation with
21 the word "Finance" because it means absolutely nothing
22 today. Whether it's Household Finance or Victory Finance
23 or any other finance or some criminal incorporating, we
24 are all in the same boat and our suggestion purely is
25 that we would respectfully suggest that you examine that
26 particular phase of the brief carefully and if, in some
27 way or other, it could be stated that no one can use the
28 word "Finance Company" unless, for instance, they are
29 under the Small Loans Act. Because most of the other
30 sales finance companies are not using "Finance" anyway,



1 they are using the word "Acceptance" and this may be one
2 method by which finance companies, at least, could
3 regain the respectability we feel we deserve.

4 MR. SEDGWICK: Yes, well that's what
5 I was getting at. It's so difficult to judge character
6 and fitness because, as you are aware, any applications
7 for a corporation are made by a legal firm of the
8 applicants. But the suggestion you make seems to me
9 to carry a lot of weight and that is the name should be
10 restricted to those companies who are licensed under the
11 Small Loans Act. That's a fine suggestion that makes
12 some sense. I assume you mean under that Act or some
13 other --

14 MR. KATZ: Some other Act, because
15 the word "Loan" now, I understand, while you can use
16 it in the advertising outside of the incorporation of a
17 company, but you cannot incorporate a company stating --
18 for instance, we couldn't incorporate a company calling
19 ourselves Victory Loan Company today. Apparently they
20 now consider that it must be under the Loan and Trust
21 Companies Act.

22 MR. SEDGWICK: Similarly, you can't
23 use the word "Trust"?

24 MR. KATZ: That is correct.

25 MR. SEDGWICK: So you suggest that the
26 word "Finance" should be confined to those people who
27 are licensed under on or other of the appropriate Acts?

28 MR. KATZ: That is right because
29 finance companies, amongst the vast body of people, have
30 had and are continuing to have respectability for those



1 people who have been dealing with the companies in the
2 small loans field. They know the amounts they are
3 paying and they know pretty well what it costs them
4 in the terms of dollars, even though it may confuse them,
5 although many of them now know that it works out to 18
6 and 24% and so forth. But still they are quite
7 satisfied because they are satisfied for that \$100.00
8 it is costing them \$13.46 and although it may be 24%,
9 if they need that \$100.00 because the wife is having a
10 baby or something, they are quite happy to pay that
11 \$13.46.

12 MR. SEDGWICK: This is my last
13 question. Do you have any opinion as to whether it
14 would be advisable to increase the limits under the
15 Small Loans Act, which are, of course, at present, 2%
16 per month under \$300, and 1% per month from \$300 to
17 \$1,000 and $\frac{1}{2}\%$ per month over \$1,000 --

18 MR. KATZ: We have no objection to
19 that providing --

20 MR. SEDGWICK: Well, would you have
21 any opinion as to whether it would be wise or not to
22 increase those limits either as to amount or rate?

23 MR. KATZ: Well, my own personal
24 opinion is that it should be increased, but with a very
25 strong proviso that the rates are not so restricted that
26 it puts most of the finance companies out of the field
27 of being able to handle these loans. In other words,
28 a loan of \$1,700, if they put interest rates at 10 or 12%
29 simple interest per annum, we, personally, could not be
30 in business. This may sound ridiculous, but we just



1 cannot be in business considering our costs, adminis-
2 trative costs and so on. So -- we consider, for
3 instance, the federal Act of the Small Loans Act on the
4 rates from \$1,000 to \$1,500 at one half of one per cent,
5 unfair and unreasonable and not realistic. We think
6 that under pressure they passed that particular little
7 phase of it from 1,000 to 1,500 -- but personally we
8 object to it and we don't think it's practical. From
9 the question that you asked, we have no objection to
10 increasing the Act to a higher figure providing it's
11 reasonable as far as rates are concerned.

12 MR. SEDGWICK: Well, specifically, it
13 may be that \$300 today does not have the purchasing
14 power of the true value that \$300 had five or six years
15 ago and it may be that the 2% should apply to, say,
16 \$500 rather than \$300. Do you have any specific ideas
17 as to what might be recommended in that direction?

18 MR. KATZ: I'm sorry, are you
19 referring to over the \$1,500?

20 MR. SEDGWICK: No. I am referring to
21 the floors that are fixed, floors or ceilings, whichever
22 you will, that are fixed by the Small Loans Act, which
23 is 2% under \$300, and then 1% per month from \$300 to
24 \$1,000. Do you think it would help the borrower and
25 the lender if those figures were increased, shall we say,
26 to \$500 in the first bracket and, say, \$1,500 in the
27 second bracket?

28 MR. KATZ: Yes, I personally think
29 it should be.

30 MR. SEDGWICK: But you do find that



1 you can operate profitably under the Small Loans Act
2 as it now is?

3 MR. LEVY: Up to the \$1,000 mark.

4 MR. KATZ: Well, actually we are
5 not, quite frankly, making our money, small as it is,
6 we are not making our money from small loans. The
7 cost of carrying these accounts are just too heavy with
8 delinquents and increasing costs we find that the only
9 way our profit picture is shown is by the larger loans.
10 We handle, incidentally, commercial loans. We will go
11 to pretty well any figure even though it may not
12 necessarily be all our money, but we do make large
13 commercial loans.

14 MR. SEDGWICK: As to those loans,
15 it's a matter of business negotiations between you
16 and the borrower as to the rates?

17 MR. KATZ: Yes. There is where
18 competitive competition comes, becomes extremely keen
19 because the person we are dealing with is a highly
20 articulate or sharp businessman and he knows where he
21 can seek his funds at the best rates available and he's
22 not going to come to us unless we are competing with
23 umpteen different other firms, including the banks, who
24 have now entered the field.

25 MR. SEDGWICK: If he borrows \$100,000
26 and pays you 2% a month, that's because he can't get it
27 at a lesser rate?

28 MR. KATZ: That is correct. But I
29 remember -- all rates in the commercial field have
30 decreased very sharply in the last few years because the



1 competition has just been too keen. Private investors
2 have moved into that field for years and they now find
3 that they just can't find any deals to deal with because
4 the finance companies have moved into it and are giving
5 better rates than the private investors. They range,
6 incidentally, from usually 10 to 12% simple interest.

7 MR. SEDGWICK: That's all for me.

8 THE CHAIRMAN: Do you have any
9 questions, Mr. Irwin.

10 MR. IRWIN: Not so much questions
11 as perhaps comments and asking for observations on your
12 part. I find myself in agreement with the brief which
13 you have presented. Two observations -- on page 3 you
14 make an interesting comment which, I think, has some
15 bearing in regard to other submissions --

16 MR. KATZ: I'm sorry, I can't hear
17 you.

18 MR. IRWIN: Page 3 of the brief, your
19 observation, I quote, "Our business has neither increased
20 nor decreased as a result of such disclosure." In other
21 words, you, in your experience, have been in the unique
22 position in the general area of credit, in having been
23 required to state the rate of interest as a percent per
24 annum. And because people also want to know the dollar
25 amount you have also shown them that. So that you do
26 have some basis for forming an opinion as to what people
27 want and the fact that you have been required to disclose
28 the rate as a percent per annum, you say has had no
29 effect on your business.

30 MR. KATZ: No, providing, of course,



1 again we go into an explanation because we have found
2 from our experience, as stated, that I would say nine
3 times out of ten people walking into our office, regard-
4 less of whether they had education on interest or not
5 in the schools, but mainly because of the complications
6 of declining balances, that they do not understand
7 when you tell them this is 18% per annum or 24% per
8 annum. They just do not understand it because of this
9 full system of declining balances. It would be
10 perfectly in order if it was 18% per annum with no
11 payments all across the board. They would say, "That's
12 fine, \$180.00." But once you hit into the field of
13 declining balances they just, it just gets over their
14 head and you may lose your client because you didn't
15 go a step further, because they don't understand what
16 the amount in dollars they are paying. They think it's
17 much more than it really is. Therefore, naturally we
18 are in business and we don't want to lose their business
19 so we have to spend time to explain it very clearly to
20 them.

21 MR. IRWIN: They must be agreeably
22 surprised when they find out it's less than they thought
23 it was going to be?

24 MR. LEVY: They really don't. When
25 you go into that field and you start to show it to them
26 in dollars and cents, they realize just what is what.
27 Actually they are primarily interested in getting the
28 money. If you quote an interest rate, "Yes, yes, blah,
29 blah", and so forth. "We want the money". When you
30 talk to them and explain what it actually is in dollars



1 and cents, they are amazed.

2 MR. IRWIN: This might be very good
3 for business, if you hit them between the eyes first
4 and then tell them they are getting a better deal after
5 all, they must be very, very happy.

6 MR. LEVY: Well, they read the note
7 and they see what it says, they take that interest rate
8 and to them it's okay. But we, as Mr. Katz has explained,
9 we always go that one step further and make sure they
10 know what it is in dollars and cents, the actual cost.
11 I'm sure that if the Income Tax Department, when they
12 give you their 10% penalty for being late, if you were
13 to calculate that in terms of real interest, it would
14 amount to a fantastic amount of money, and it would be
15 less prevalent.

16 MR. LETHERBY: I admit, it's pretty
17 difficult to figure out.

18 MR. KATZ: The public, in declining
19 balances, and I say this very strongly, do not understand
20 interest and I think this Committee should take cogni-
21 zance of that fact because I think you are mainly
22 interested in that the borrower clearly understands what
23 he is getting. We certainly are in full agreement with
24 this, we would like them to know exactly what they are
25 getting and if they have objections, fine, then we
26 should not take the loan and we would be most happy
27 because we don't want the aftermath of them coming back
28 and say, "I don't understand". This is not good business
29 to us. It takes our time up and we would much prefer
30 spending our time getting more business than spending it



1 on people who are complaining, which we very rarely have.

2 MR. IRWIN: Thank you. Just one
3 other matter I would ask for your views on. The entry
4 into the field of -- whether sources of loans has, as
5 you say, a tendency to reduce rates generally -- you
6 face this as a competitive factor -- are there any
7 other ways in which the market for money can be improved?
8 I mean the developing of better methods of communication,
9 parlance, jargon, assembly of information for the public.
10 If there are any such matters that could be introduced
11 to improve the market as a whole, what might they be?

12 MR. KATZ: Are you referring to
13 over \$1,500?

14 MR. IRWIN: No, just the money market,
15 period.

16 MR. KATZ: Well, I think we are in
17 agreement with what Mr. Wood of Household said, we are
18 in perfect agreement in that we feel that some form of
19 education should be given in the schools as to a general
20 credit education. I have sometimes thought that a
21 completely different concept of interest -- for instance,
22 in the small loans field we cannot, of course, charge
23 any extra charges other than exactly the rate. If we
24 send a tracer out to look for a delinquent account, and
25 we have to spend \$20.00 to find him, it cannot be added
26 to the customer's account, we are stuck. If we have
27 a \$200.00 loan for a year and if he keeps the loan for
28 a full term, for which we receive approximately \$26.00,
29 in terms of dollars, for that loan, we spend \$20.00
30 trying to find him, you can see how much money we are



1 going to make on that particular account. However,
2 that's part of our business and we accept it. But
3 sometimes I have thought, personally, that there should
4 be some form of interest rate where we could get a
5 blanket charge for administrative costs and then the
6 interest starts from there rather than incorporating the
7 whole thing. This would have to be gone into in a very
8 detailed manner.

9 MR. MacDONALD: Mr. Chairman, may I
10 pursue that thought because we are getting at really one
11 of the basic objectives of this Committee. You say
12 that the passage of the Small Loans Act rescued this
13 whole field from a rather bad name it had because of
14 the operators it had. Now surely it was rescued because
15 you lumped all the costs of credit together and therefore
16 the borrower knows where he is.

17 MR. KATZ: That's right.

18 MR. MacDONALD: Now you see, we have
19 had rather schizophrenic testimony on this. We have
20 had people coming in professing pride at the reputation
21 and the operation within the small loans field and this
22 is how it has been achieved, if I understand it correctly.
23 And yet they say, in the next breath, that it is unfair
24 to lump it, other costs along with the actual interest
25 rate. It seems to me you can't have it both ways and
26 I judge you, in effect, are saying -- well, what are
27 you saying?

28 MR. KATZ: The thing that I am saying
29 is, when a man walks into the office you say it will cost
30 him 24% per annum. Automatically they get scared out of



1 their wits. They think in terms of different dollars
2 than really what it costs. Of course this is quite
3 natural. My own personal opinion is that if a flat
4 amount of money was charged for administrative costs and
5 then it said 2% -- it might be a little lower rate --
6 this might be more appealing to everybody concerned.

7 MR. MacDONALD: Except that I judge
8 by the figures that we have been presented with that it
9 hasn't hurt your business to have to cope with the public
10 relations problem involved with 24%?

11 MR. KATZ: No, we haven't had any --
12 you see because in the small loans field when we say
13 that it is costing \$13.00 for the \$100.00 -- "Oh, well,
14 that's nothing at all, that's perfectly all right". Or
15 when they get \$1,000.00 and they say, "Let's see, that's
16 \$180.00". "No, that's only \$98.00 for the year". The
17 banks charge about \$60.00 -- well they charge 6% and then
18 6% for charges. They don't call it 12% but we have to
19 call it by its true name.

20 MR. MacDONALD: Well, I just want to
21 make the point that it seems to me the small loans field,
22 up to \$1,500 anyway, was cleaned up by lumping it all
23 together.

24 MR. KATZ: Right.

25 MR. MacDONALD: And I think we have
26 just got to build a bit of resistance to this argument
27 that it is unfair to lump interest with other charges
28 because as far as the world is concerned the other charges
29 are still money out of their pocket.

30 MR. KATZ: That is correct.



1 MR. MacDONALD: And therefore the
2 percentage becomes important.

3 MR. KATZ: That is correct, but then--

4 MR. MacDONALD: If you want to clean
5 up the field beyond \$1,500, I suggest to you that the
6 only way you can clean it up is the way you did below
7 \$1,500, by lumping it all in one sum and when you lump
8 it all in one sum -- I grant you there are elements of
9 unfairness when you are calculating \$2.00 for \$20.00
10 and it becomes 54% --

11 MR. KATZ: Oh, well, there could be
12 a flat charge.

13 MR. MacDONALD: There might be some
14 flat charge, but if you want to clean it up throughout
15 the field, the experience you have had in the small loans
16 field is pretty convincing that this is the way to do it.
17 It doesn't hurt the companies.

18 MR. KATZ: The Small Loans Act has
19 been basically highly successful. We have been quite
20 happy with it. The only objection we have is, of course,
21 from \$1,000 up to \$1,500, which, of course, is not
22 realistic, that's all there is to it.

23 MR. IRWIN: I would agree with that.
24 It's odd that some arbitrary division should be made at
25 \$1,000 and allow high rates of interest prior to that and
26 then expect that you can do business at $\frac{1}{2}\%$ per month or
27 6% per annum, roughly.

28 MR. KATZ: If you are running a
29 business and you buy an article for \$20.00 and you are
30 forced to sell it for \$20.00, you are not going to sell



1 that product. Actually, that is what we are asked to do.
2 Buy it at \$20.00 and sell it at \$20.00.

3 MR. IRWIN: I am surprised that that
4 sharp division takes place at \$1,000.

5 MR. KATZ: Yes, yes, it does.

6 MR. MacDONALD: What is the rate
7 which is, in your view -- is the 1% adequate?

8 MR. KATZ: Which --

9 MR. MacDONALD: Well, no matter what
10 limit you took the Small Loans Act to -- suppose you
11 took it to \$2,500 -- if it were 2% up to \$500.00 and 1%
12 for any figure, whatever be the ceiling that is put on --

13 MR. KATZ: Our Company, based on the
14 amount of dollars that we have out, could not operate
15 at 12%. 1% per month, now I am talking about 12% simple
16 interest. It would be much better for us to take all
17 our money and put it in first mortgages at seven. This
18 may seem ridiculous, but it's true. We just find that
19 our cost factor runs up too high. It's the same thing
20 as a person walking into any store and buying a product
21 -- the markups are certainly anywhere from 33 to 100% --
22 we consider money just like goods. We have rent to
23 pay, we have wages to pay, we have all kinds of costs.
24 We must derive a certain return on our money, which is
25 reasonable, and if we don't we are just not going to be
26 in business, we are going out of the business. That's
27 about the size of it, you see.

28 MR. SEDGWICK: I just want to be
29 clear on what Mr. Irwin and Mr. MacDonald have said. The
30 result is that you virtually got out of the business as



1 between \$1,000 and \$1,500, is that right?

2 MR. KATZ: We will go up to thirteen
3 or fourteen hundred to all accounts that have dealt with
4 us for years, as a matter of convenience and as a matter
5 of service. We are not going to turn that loan down
6 even though that \$300.00 -- there is no profit. We are
7 practical too, I mean we feel this is a good account
8 and we are not going to lose him. But for any new
9 account coming in, we look at it very carefully before
10 we consider it.

11 MR. SEDGWICK: Over 1,000?

12 MR. KATZ: Over 1,000.

13 MR. SEDGWICK: -- the rates are so low.

14 MR. KATZ: Well, I think this is the
15 fault of the legislation.

16 MR. SEDGWICK: Thank you.

17 THE CHAIRMAN: Mr. Bukator?

18 MR. BUKATOR: I agree with the brief.
19 These men are doing exactly what I would like everybody
20 to do. This is the shortest speech I am going to make
21 today. Thank you, gentlemen.

22 THE CHAIRMAN: Mr. MacDonald?

23 MR. MacDONALD: One or two other
24 points in relation to this business of limits and
25 declaration of interest. You said you had no objection
26 at all, or you found no problem in declaring what the
27 interest rate is. Is this strictly the case when you
28 have to work out a rate for a loan which involves 2% for
29 part of it and 1% for another portion of it and $\frac{1}{2}\%$ for
30 another portion of it? Supposing you were to loan \$1,100.



1 do you still anticipate no difficulty at all declaring
2 an interest rate, putting it down in your contract?

3 MR. KATZ: Well, I don't know what
4 the interest rate at 1,100 or 1,200. We have got our
5 Tables, what they call the Schneider Tables, which is
6 based purely for the Small Loans Act, and we use these
7 Tables. They tell us what we can charge for 12 months
8 or 24 months, but at any given level from 100 to 1500 --
9 well the first 300 we know is 2%, of course, and then
10 the 1% blends in as it increases and the rate goes down.
11 But we never know at any given moment what the actual
12 rate is. We have to compile a lot of rates.

13 MR. WHITE: You would have to have
14 another table?

15 MR. KATZ: The Table would be able
16 to tell us what it is. We have no idea what the interest
17 is.

18 MR. MacDONALD: Do you anticipate
19 any difficulty in having another Table?

20 MR. KATZ: Well, let me put it this
21 way. I think we would have to go to quite a bit of
22 expense in getting all kinds of new forms and I imagine
23 that a Table could be obtained, but I don't really
24 think it's practical on the Small Loans Act. I think
25 the Small Loans Act does such a good job that possibly
26 it should be exempt from all this. It's doing a good
27 job and really it's redundant to bring something in that
28 could complicate it. It is satisfactory.

29 MR. SEDGWICK: It probably is exempt,
30 being a matter of federal legislation.



1 MR. MacDONALD: There is one other
2 point I want clarification on. I don't know whether I
3 should address this to our witnesses or to Mr. Sedgwick.
4 In your brief you say that, you suggest that the name
5 "Finance" should be restricted to those who are operating
6 under the Small Loans Act. Does this mean that it would
7 then restrict you to operating below 1,500? A Company
8 which operates under the Small Loans Act of 1,500, are
9 they licensed under another Act to be able to go beyond
10 1,500?

11 MR. SEDGWICK: No, no. I think --Mr.
12 Katz, you correct me if I am wrong -- you suggest that
13 in order to use the word "Finance" you should be
14 licensed under some one of the licensing Acts just as
15 in order to use the word "Loan" or "Trust" in your
16 corporate name, you must be licensed under the Loan and
17 Trust Act. You wouldn't be restricted because you use
18 the name to loans under the Small Loans Act.

19 MR. MacDONALD: That's the point I
20 wanted to get cleared up. On the basis of the name, I
21 think this is very accurate. It's like the name, for
22 example, "Co-op", which just got so abused that ultimately
23 the federal government empowered the Co-operative Union
24 of Canada to clean up instances of abuse.

25 MR. KATZ: The name, for instance, --
26 of course with all the publicity and everything else
27 it's got a pretty bad name -- we find that we are prepared
28 to give the same rate as the banks in certain instances
29 because our word is finance and the banks have sort of a
30 halo around their head and they are getting the business



1 and we are not, yet our rates in certain instances are
2 exactly the same, taking into account their service
3 charges and so forth and our blanket total charge, the
4 variance is very little.

5 MR. MacDONALD: Mr. Chairman, there
6 is one other -- this is more by way of a comment than
7 a question -- the first time I heard this in the brief
8 two or three days ago, about the unfairness of the public
9 impression that if you borrowed \$100 at 2% per month,
10 that what you are paying is \$24.00 and this is unfair
11 because, in fact, you are paying \$13.46. The more I
12 think about this the more I am inclined to say methinks
13 thou protests too much because quite frankly you are
14 paying \$24.00 for every \$100.00 retained or used. Because
15 just as quickly as you start your repayments you haven't
16 got your \$100.00, you have got one-twelfth of it you
17 have paid back.

18 MR. KATZ: Yes, that may be very
19 true, but then I could bring up another subject, which
20 gets quite complicated. We will loan out many hundreds
21 of thousands of dollars in, say, 1960 for a three year
22 contract and in 1963, when the inflationary trend, the
23 cost of living has moved up several percent, we haven't
24 really received that kind of percentage because the
25 amount, the dollar has shrunk and when we gave it out
26 in 1960 it was worth so much and in 1963 when you get
27 it back, it's worth so much less.

28 MR. MacDONALD: This is another factor
29 though. The point is I don't think there is as much
30 misrepresentation as you and some others in the field



1 have suggested. Because you are paying \$24.00 per year
2 for the \$100.00 and the only reason it goes down is
3 because you have paid some of it back.

4 MR. KATZ: Mr. MacDonald, you are
5 quite correct, sir. But all we are trying to do is
6 to try and help the borrower know exactly what he is
7 paying. I mean 24% is correct, we don't deny that, in
8 any instance whatsoever. It's just that we want to
9 make sure that he knows ~~what~~ he is paying because it makes
10 a big difference to us and to him, the amount of dollars
11 that he is going to pay us. At one stage of the game
12 he is going to say "No, \$24.00 I don't want to pay, but
13 \$13.00 I will pay". "It's worth my while, I need the
14 money badly enough that I am prepared to pay that
15 \$13.00 for the full term". Of course they are open
16 contracts, he can pay them any time he wants and only
17 be charged for the time he has the money.

18 THE CHAIRMAN: Mr. White?

19 MR. WHITE: You mentioned the point
20 made by Household Finance that all moneylenders be
21 licensed --

22 MR. KATZ: I was just here to hear
23 a portion of it --

24 MR. WHITE: Well, towards the end
25 of his testimony, he suggests that all moneylenders be
26 licensed. Now you have offered the suggestion that the
27 use of the word "Finance" in a corporate title be
28 restricted. This suggestion is a little less stringent,
29 I think, than Mr. Wood's suggestion. I am wondering if
30 Mr. Wood's suggestion isn't more comprehensive and more



1 useful because it would embrace everyone who puts money
2 out on loans.

3 MR. KATZ: This may be so. I have
4 no disagreement with the method which Mr. Wood would
5 like to have adopted. I am merely concerned with the
6 bad reputation that the word Finance has at the moment
7 and, having been in the business a long time, we are
8 quite unhappy that it has reached that stage. We, and
9 most reputable companies, would be most happy if some
10 method could be found to rectify that.

11 MR. WHITE: It's a question if the
12 restriction of the word "Finance" would cure the
13 problem though. It seems to me that the licensing of
14 moneylenders would better control the problem.

15 MR. KATZ: Yes, it would. You see,
16 the reason we bring this up is we all seem to be
17 painted with the same brush when any of these things
18 happen. Now if a mortgage broker is unconscionable
19 and charges a tremendous rate, as it so happened a while
20 back here, under your own investigation, the publicity
21 is "Finance" all the time and the minute that happens
22 we have had people say to us, "You eighty-four percenters
23 -- this is terrible". We don't even come under that,
24 don't even handle that type of work. A mortgage broker
25 is a mortgage broker and an automobile is another thing,
26 but finance is selling a dollar, that's our commodity.

27 MR. WHITE: I think that proves my
28 point. They are not using the word "Finance".

29 MR. LEVY: Well, some companies --
30 you go along Danforth, I think, I haven't been down there



1 recently, but they call themselves, you know, finance
2 companies of some form or other. They are getting
3 rid of all the cars for finance companies, and so forth.
4 But out in Alberta they found that a lot of this was
5 phony advertising in order to get the customer in,
6 thinking that he's getting a bill of sale and something
7 which is much cheaper than it really is.

8 MR. MacDONALD: There's another angle
9 to this, if I may interject. It seems to me if you
10 licence everybody and then you don't have the powers
11 to regulate the bad operator, you still have got nowhere
12 and part of our problem in regulation is, at the pro-
13 vincial level we can't get into the question of interest.
14 We had licensing, we had regulations, but we got
15 nowhere because they had no power to step in, other than
16 the power of persuasion which, with these operators, is
17 wasted effort.

18 THE CHAIRMAN: Do you have any other
19 questions?

20 MR. IRWIN: Could I just ask one
21 question, directed to Mr. Sedgwick on this one particular
22 point. Perhaps if you confine your thinking only to
23 the word "Finance" -- I can imagine there might be
24 ways of getting around this, maybe there are other words
25 which would denote the same kind of respectability.
26 Mr. Sedgwick, could not the Provincial Secretary, in
27 allowing the choosing of names for any corporation,
28 regulate this so that any name that denoted some --

29 MR. SEDGWICK: Of course he could,
30 but probably would not do so without some legislative



1 direction. He could, yes. He has pretty well absolute
2 power as to which name to grant and which not to grant.
3 My recollection is that if he (rest of sentence inaudible)

4 MR. IRWIN: So his hand could be
5 strengthened a little and the whole thing could be
6 accomplished from that office.

7 MR. SEDGWICK: Just as he will not
8 now permit the name Loan or Trust unless you come under
9 the Loan and Trust Companies Act.

10 THE CHAIRMAN: Mr. Sandercock?

11 MR. SANDERCOCK: I would like to
12 compliment these men on this brief. I think it is very,
13 very good and shows a good grasp of the situation.
14 (Rest of statement inaudible)

15 MR. KATZ: Well, the interest is still
16 24% but 24% on the balance, not on the original amount.
17 I may say that, of course commercial loans that we have,
18 we don't think it is advisable to legislate on those
19 because you are dealing with business, business, business
20 and a businessman and a businessman and they know exactly
21 what they are doing and it may be harmful to interfere
22 with loans of 100,000 or 200,000 and so on. If you
23 legislate on those you may, it may be harmful basically
24 to the public interest to do so.

25 MR. MacDONALD: Even to declare the
26 interest rate?

27 MR. KATZ: I would say so, yes.

28 MR. MacDONALD: The businessman is
29 going to know what the interest rate is, so what's the
30 problem?



1 MR. KATZ: Well, the problem is this.
2 All dealings that we have dealt with in that field, the
3 interest rates are much lower, much lower, the reason
4 being, simply, that no one will pay those figures (1) and
5 (2) the security is usually much firmer and (3) the
6 people you are dealing with know exactly what they want,
7 they are businessmen and they want it done in a certain
8 manner. If you were to restrict them in putting (a)
9 this is the way to do it or (b) this is the way to do
10 it, it may be more harmful than good.

11 MR. MacDONALD: I know, but we are
12 not proposing any restriction, at least we are not
13 contemplating any restriction. All we are contemplating
14 is to put the interest rate on it.

15 MR. KATZ: Well, no, the interest
16 rate would be perfect.

17 THE CHAIRMAN: Mr. Noden?

18 MR. NODEN: On your basic rate of
19 24% there are no further charges?

20 MR. KATZ: Well, in the larger loans,
21 say we are involved in a \$25,000 loan, there will be
22 extra charges in terms of legal costs in arranging --
23 we just turn it over to our lawyer and of course there
24 will be costs in that, but there are no bonuses or things
25 of this nature.

26 MR. LEVY: Is that what you had in
27 mind, bonuses?

28 MR. NODEN: Yes.

29 MR. KATZ: No, these costs would be
30 simply general costs that would be required to handle the



1 loan.

2 THE CHAIRMAN: Mr. Reilly, do you
3 have any questions?

4 MR. REILLY: Mr. Chairman, I have one
5 or two questions and an observation. What is your rebate
6 schedule, sir?

7 MR. KATZ: We use the Rule of 78ths.

8 MR. REILLY: This has been explained
9 to us, Mr. Katz. Apparently you have indicated to us
10 that your cost of doing business is something in excess
11 of 12% as far as overhead is concerned. In other words,
12 it doesn't pay you to lend money strictly at 1% per
13 month. This is understandable. You have to borrow
14 money at 3, 4, 5 or 6%, depending upon what you have to
15 pay for it and then you have to pay for rent and over-
16 head and so forth, so --

17 MR. KATZ: Excuse me for a moment.
18 We were prepared, when the Small Loans Act was first
19 enacted, we were prepared that if the Act indicated it
20 would be 1% per month on the unpaid balance, we were
21 going out of business. This is a definite fact.

22 MR. REILLY: So your overhead is
23 12% or better, under the circumstances.

24 MR. KATZ: I don't suggest that some
25 of the big companies would not have survived. It might
26 have left one or two companies in the field if the
27 federal Act read that.

28 MR. REILLY: The point I was making
29 was, if your overhead is 12% or better it doesn't seem
30 unreasonable to have to charge anywhere from 10 to 24%



1 depending on the security, to lend money. What I like
2 about the brief, Mr. Chairman, specifically, is this,
3 that the men haven't come here today and said that this
4 is impossible. They haven't said that they can't reveal
5 interest rates. What they have said is psychologically
6 it is better for us to reveal dollar rates. It's good
7 business for us to tell the people that they are
8 borrowing on the basis of dollars and they have been
9 very honest in their presentation.

10 Now, as far as the finance situation
11 is concerned, would it be that advertising has something
12 to do with it? "Nothing down", or "Very low, low rates".
13 Do you not think that this is something that we should
14 consider as a Committee that has ill effect upon the
15 lending field?

16 MR. KATZ: Well, in our own Company
17 we do very, very little advertising. Our advertising
18 is practically minute. We have done some in the foreign
19 papers which we found quite ineffective now. We find
20 that paper advertising is quite ineffective. But I
21 would say this, like any normal business, companies
22 certainly should allow a certain portion for advertising,
23 otherwise people don't know they exist, providing it's
24 legitimate advertising or truthful advertising. I have
25 no objection on that, although I will say this, that
26 years ago in the mortgage brokerage field when somebody
27 was advertising every day a quarter of a page -- "Come
28 in and get certain loans on mortgages" -- I thought this
29 was out of line and the amount of money spent was
30 fantastic in relation to the amount of money they had.



1 Obviously they must have been doing quite well to be
2 able to afford to pay that type of advertising.

3 THE CHAIRMAN: That's all then, Mr.
4 Reilly? Do you have any questions Mr. Letherby?

5 MR. LETHERBY: I think it's an
6 excellent brief.

7 THE CHAIRMAN: Before we move on,
8 are there any other questions? Well, I would like to
9 thank you, Mr. Katz and Mr. Levy, for presenting the
10 brief to us this morning. I feel the same as the other
11 members of the Committee that it was very fine of you
12 to cooperate with us and I like your brief very much.

13 We will take a five minute recess.

14 ---SHORT RECESS.

15 THE CHAIRMAN: We have with us now
16 Mr. Cecil Davidson, President of the Federation of
17 Automobile Independent Retailers and accompanying him
18 is Mr. Rick Thompson, Treasurer of the Federation of
19 Automobile Independent Retailers. They have prepared
20 a brief for the Committee and I would have him proceed
21 with the presentation of that brief.

22 MR. DAVIDSON: Mr. Chairman and
23 distinguished members of the Select Committee on Consumer
24 Credit, may I introduce Mr. Rick Thompson of Peck-Thompson
25 Motors Limited, Vice President of our Association and Mr.
26 Jules Nusbaum unfortunately cannot attend. His father
27 took ill and he had to be with him, although he is a
28 member in good standing. My name is Cecil Davidson and
29 Davidson Motors is the name of my firm.

30 THE CHAIRMAN: Would you speak up a



1 little louder, Mr. Davidson, it's a little difficult to
2 hear.

3 MR. DAVIDSON: Yes. My name is
4 Cecil Davidson of Davidson Motors. Thank you for the
5 privilege of your invitation to our group to appear
6 before you and present our brief. It is refreshing,
7 indeed, to me as a used car dealer to see that members
8 of the Legislature of Ontario are investigating the
9 abuses of credit being perpetrated on the citizens they
10 represent. This Committee has an unprecedented oppor-
11 tunity to take action to eliminate the conditions
12 responsible for these abuses and it is our sincere
13 hope that you seize it.

14 This brief, if I may call it that,
15 is probably the most unorthodox of all you will be
16 exposed to. And I beg the Committee's indulgence for
17 my lack of experience in preparing one. I assure you,
18 however, that I shall try to be brief and to the point.

19 In January of this year I was elected
20 President of a newly formed organization which we
21 called FAIR, the Federation of Automobile Independent
22 Retailers. Although the name is grammatically incorrect,
23 it conveys our motives as automobile dealers in both new
24 and used cars. We are sickened and appalled by the
25 conditions which permit and propogate an ever-increasing
26 number of unscrupulous and unethical dealers in our
27 community and we felt that we must fight these conditions.

28 FAIR was formed to focus attention
29 on the inequities and inadequacies of our laws, at both
30 municipal and provincial levels, to the rights of the



1 public as well as the legitimate businessman to fair
2 dealing in buying and selling automobiles. Certainly
3 there is a definite element of self-interest in our
4 motives but by far the greatest benefactor of our
5 proposals is the car-buying public.

6 FAIR was and still is a fledgling
7 group. In fact our original membership of 46 dealers
8 has shrunk to 38. The reasons will soon be obvious.
9 We tried our wings on May 1st, 1963 when Arthur Maloney,
10 Q.C., acting on our behalf, presented a brief to the
11 Metropolitan Licensing Commission of Toronto, a copy of
12 which I have with me, calling for the urgent enforcement
13 of existing legislation to regulate the licensing of
14 automobile dealers. Our brief further asks that new
15 legislation be passed to require the bonding of dealers
16 as a condition of licensing.

17 The last knowledge I have of the
18 outcome of our representations is that on July 25th, the
19 Executive Committee of the Metropolitan Council decided
20 to recommend to Council that legislation be requested,
21 giving the Metropolitan Licensing Commission, instead
22 of the Province, the power to license, regulate and
23 govern persons engaged in the business of buying and
24 selling used motor vehicles in the Metropolitan area,
25 and the power to revoke any such licence.

26 When adopted by Council this will
27 constitute a direct request to the Minister of Municipal
28 Affairs for appropriate legislation. We were further
29 reassured that our representations were unanimously
30 approved and that all is being done as expeditiously as



1 possible to accomplish the desired result.

2 Since that date of July 25th, we
3 have heard nothing. And while we understand that the
4 processes of law are painstakingly slow, it is a shame
5 that so many more people are being victimized daily
6 by the unabated machinations of the dishonest dealers.

7 Our brief also drew the Commission's
8 attention to the alarming and indiscriminate issuance
9 by the Department of Transport of Ontario of Provincial
10 Class A licences which one must have to buy and sell
11 automobiles, and with which one can obtain a vendor's
12 permit exempting the payment of sales tax. Let me
13 say, at this point, that it seems incredible to me
14 that the one and only requirement needed to obtain this
15 Class A licence is \$25.00. No requirement as to good
16 faith, reputation, past history, financial worth,
17 location of business premises or, indeed, any evidence
18 of responsibility or integrity is needed. How can
19 anyone justify the fact that the worst renegade in
20 this Province can be licensed to buy and sell automobiles
21 in a matter of minutes, simply by paying out \$25.00 to
22 someone across the street from where we now sit.

23 Even as we sit here there are over
24 1,200 Provincial Class A licences issued in Metropolitan
25 Toronto alone, an area that has less than 200 car lots.

26 I respectfully submit to this
27 Committee that the unwarranted and indiscriminate
28 issuance of Class A licences makes possible the worst
29 abuses of consumer credit in the field of automobile
30 financing. The dealer, more than anyone else, is in a



1 position to misrepresent the true cost of credit. In
2 selling an automobile he arranges the financing of it.
3 He quotes the finance charge and terms of the contract
4 as to the number and amounts of the payments. If the
5 dealer is unscrupulous and unethical, the purchaser
6 hasn't got a chance. In my opinion the only real safe-
7 guard for the purchaser is the integrity of the dealer.
8 It is a sad commentary on the state of the automobile
9 business, particularly in Toronto, that the ranks of
10 the legitimate dealer are dwindling as the result of
11 the unfair competition of an ever-increasing number of
12 deceitful and dishonest dealers.

13 Just since FAIR was formed last
14 January, at least eight of our members have gone
15 bankrupt or dissolved their businesses as a direct
16 result of this competition. No legitimate dealer can
17 afford to be indifferent to the loss of business he
18 suffers due only to the dictates of his own conscience.
19 Those who are without conscience or integrity find it
20 simple to prey upon gullible bargain hunters without
21 fear of losing their licence.

22 Why bring up licensing to this
23 Committee? The answer lies in the fact that the
24 instruments of credit are the means by which the public
25 is bilked by the dishonest dealer. The days of putting
26 sawdust on the rear end are gone. Nowadays the smart
27 way to cheat is to show the prospective buyer a good
28 car at such a ridiculously low price that he just can't
29 get his money out fast enough. Take him in the office
30 and have him sign a bill of sale as well as a blank



1 conditional sales contract and promise delivery, "as
2 soon as we check your credit".

3 Consider for a moment the possibilities
4 for profit available to the dealer. He can keep the
5 deposit or down payment by telling the purchaser that
6 "Your credit is no good". "Our finance company turned
7 you down". Or, if the bill of sale, which sometimes is
8 just a receipt slip, is sufficiently obscure and the
9 buyer's credit good enough, he can then deliver the
10 car, using the quoted sales price as the amount to be
11 financed. His explanation for this could be that the
12 cash down payment had to cover the cost of the credit
13 investigation or simply that the buyer misunderstood
14 the salesman.

15 Another possibility is available,
16 that of setting the payments higher than those quoted.
17 In fact, there are so many choices for cheating open
18 to the dealer selling cars on credit, that those whose
19 honesty and integrity keeps them from temptation,
20 deserve the protection the Province of Ontario can and
21 must give them if they are to survive. No game of
22 dealer's choice ever raked as much hardship on the
23 consumer as this misuse of the instruments of credit.

24 Many people think of the used car
25 dealer as a charlatan, racketeer, or, as one of our
26 magistrates put it, "an awful bunch of connivers." If
27 ever a group of businessmen suffered a poor public image
28 it is ours. And yet it is my sincere conviction that
29 the legitimate used car dealer serves the people and his
30 municipality, province and country, in a manner comparable



1 to that of the most highly regarded business endeavour.

2 How many people would be able to
3 afford new cars if it weren't for the ready market that
4 exists for their trade-in? How many people would be
5 able to go to work, to shop and to travel, if there
6 were no used car market in which they could buy a car
7 within their means? How many people buy a used car
8 and immediately lose between six and twelve hundred
9 dollars in depreciation? The answer is few, very few.
10 It might be interesting to note that just 36 of the
11 members of FAIR paid nearly \$235,000 in business and
12 realty taxes to the City of Toronto in 1962. It
13 is probably more interesting to the members of this
14 Committee that these same dealers remitted over
15 \$574,000 in sales tax to the Province of Ontario in
16 1962. Unfortunately, however, no such bonanza was
17 forthcoming from us to the Department of National
18 Revenue of Canada. Nevertheless the desire to be able
19 to do so is still very strong on our part.

20 Aside from taxation, car dealers
21 contribute substantially to the general economy in
22 another manner and that is by employing a considerable
23 number of semi-skilled and unskilled labourers thus
24 alleviating the unemployment situation where it is
25 most felt. With these facts in mind, surely it is
26 not unreasonable of me to suggest that the legitimate
27 car dealers be allowed to voice their criticisms and
28 recommendations regarding other factors affecting
29 consumer credit.

30 I was somewhat dismayed by the



1 singleness of purpose expressed by another and much
2 larger group of automobile dealers who only opposed
3 disclosure of the rate of interest by finance companies.
4 Although I, too, am indebted to a finance company, I feel
5 to say that any finance company that can produce the
6 wide variety of extremely explicit rate charts now in
7 use would surely be equipped to disclose its rates of
8 interest in percentages as well as dollars if a uniform
9 method of calculation was required of all lending
10 institutions. Certainly the finance companies are
11 capable of arguing their own causes. But as a dealer,
12 let me say they perform a valuable service for the
13 public at large as well as the automobile industry.
14 No bank has yet seen fit to risk their money on all
15 the needs of the automobile dealer as finance companies
16 have done. Nor have banks been willing to lend enough
17 people enough money to accommodate their automobile
18 needs. A quotation from an old copy of the Reader's
19 Digest comes to mind in this regard: "A bank is a
20 place that will lend you money if you can prove that
21 you don't need it". Although the banks of today are
22 more liberal and much more aggressive in the field of
23 consumer credit than ever before, a vast majority of
24 their automobile loans are made only to the cream of
25 the crop of borrowers and then at a much more remunera-
26 tive rate than they would get on a personal loan.

27 Most of the lower income group have
28 to go elsewhere so that those who can least afford it
29 are more susceptible to high borrowing costs. Profit
30 seems to be a dirty word when applied to an automobile



1 dealer or a finance company, but when it is applied to
2 banks and their record breaking financial statements,
3 it almost becomes revered. There is no doubt that the
4 banks of this country do a great service to the country
5 and the people in it. But let us not forget that they
6 do it for a price. If the finance companies charge a
7 higher price within reason, they are entitled to it for
8 the risks they take are greater. The worst criticism
9 one can make, and it is a strong one, of finance
10 companies, is their lack of discrimination in supporting
11 questionable dealers. It is almost impossible for a
12 dishonest dealer to stay in business profitably without
13 the use of the credit facilities and yet these facilities
14 are extended freely by companies that are willing to
15 look the other way simply because there is money in it.

16 It is high time that the finance
17 industry insisted on a code of ethics for their dealers
18 to use in their dealing with the public. In referring
19 to a code of ethics, another sore spot greatly detri-
20 mental to the common good is the almost incredible lack
21 of responsibility shown by some of our newspapers and
22 even the odd radio station in accepting advertising
23 that is designed solely to dupe, deceive and defraud,
24 although they all claim to subscribe to an advertising
25 code of ethics. Can anyone condone newspaper acceptance
26 of such blatantly deceptive ads that read: "100%, full,
27 one year guarantee. Parts and labour available at
28 extra cost". Or, "One year cost price guarantee on parts
29 and labour". Or, "\$50.00 cash if we fail to finance
30 you a car". Or, in huge type, "6%", and then in the



1 smallest type possible, "If you qualify". Is it
2 possible that the newspapers believe that finance
3 companies really dispose of their repossessions through
4 so-called finance compounds? And do they never feel
5 compelled to verify the bona fide nature of some so-
6 called acceptance companies? And do they believe that
7 177 people had to leave the country last week and left
8 their repossessed cars behind? So that all one has to
9 do is come in and take over the payments. One enter-
10 prising radio station blared out the general advertising
11 ingenuity after first barraging the air with a voice
12 from an echo chamber yelling, "Reposs, reposs, reposs".
13 Code of ethics? Advertising standards? I respectfully
14 submit to you that this prostitution of advertising
15 media results in more public hardship than does the
16 most exorbitant rate of interest.

17 As you have probably gathered I am
18 no student of Dale Carnegie's book, How to Win Friends
19 and Influence People, especially those in high places
20 and power. But if we ever needed the truth about
21 lending, the time is now. There is so much more to be
22 done than to just disclose the percentage rate of
23 interest.

24 If I may, I would like to summarize
25 some recommendations of ours in a credit credo. We, in
26 FAIR, believe that legislation should be passed which
27 would licence automobile dealers on condition that they
28 (a) operate from a business premises which they own or
29 rent, (b) be required to bond themselves with a bona
30 fide bonding company which would safeguard the public



1 from fraud and chicanery, (c) to establish a uniform
2 method for disclosing rates of interest for all lending
3 institutions which will be simple enough to explain to
4 the borrower, (d) require the dealer to be able to
5 prove that an automobile is in truth a repossession
6 when it is offered for sale, (e) place a degree of
7 financial responsibility on advertising media in proven
8 cases of false and misleading advertising. It would
9 be a comparatively simple matter for these media to
10 verify the ads they publish by employing the services
11 of sample shoppers, as large department stores do.
12 (f) May we also suggest the urgent need for a central
13 system of lien registration. Ontario ~~is~~ one Province
14 that desperately needs new legislation in this regard.
15 Private purchasers as well as dealers are never safe
16 from financial ruin because there is no sure method of
17 clearing title to an automobile. Although the public
18 is protected by the dealer, provided he is ethical and
19 solvent, there is no doubt that the losses incurred in
20 this manner are eventually borne by everyone.

21 The adoption of proposals such as
22 these are vital to the best interests of all the people
23 in the Province of Ontario. It is in your power to
24 recommend new legislation to eliminate the inequities
25 in the field of consumer credit. In speaking for the
26 members of FAIR, I respectfully urge you to take action
27 as soon as possible to enable the people of this
28 Province, and its businessmen, to deal with each other
29 in a manner that is good and equitable and right.

30 In conclusion may I express to you my



1 sincere gratitude for this hearing. It restores one's
2 faith in democratic government to know that even a
3 used car dealer may be heard.

4 On behalf of the members of FAIR and
5 myself, let me wish this Committee great success in its
6 endeavours. I am certain that it will be a credit
7 to the consumer.

8 THE CHAIRMAN: Thank you, Mr.
9 Davidson. A lot of thought has gone into your brief.
10 I think it is very good. Do you have a question, Mr.
11 Sedgwick?

12 MR. SEDGWICK: Yes, I have quite a
13 few. Mr. Davidson, on page 1, the first paragraph and
14 again in your concluding paragraph, you say that you
15 speak as a used car dealer. Then I see in the second
16 paragraph on page 1 you say that you deal in both new
17 and used cars. Do the members of your organization deal
18 only in used cars?

19 MR. DAVIDSON: No, Mr. Sedgwick, they
20 deal -- there are some new car dealers associated with
21 us.

22 MR. SEDGWICK: Yes. Do you, your-
23 self --

24 MR. DAVIDSON: I, myself, deal in
25 used cars.

26 MR. SEDGWICK: Only?

27 MR. DAVIDSON: Well, I shouldn't say
28 -- there are times when we do act as a sub-agent in a
29 sense.

30 MR. SEDGWICK: You are not a fran-



1 chised?

2 MR. DAVIDSON: No, we're not a
3 franchised agent.

4 MR. SEDGWICK: No. Well, that's what
5 I was getting at, eligibility. That is, you will accept
6 as members dealers in used cars only or dealers in used
7 and new cars, is that right?

8 MR. DAVIDSON: We will accept any
9 automobile dealer who is ethical, whether he sells new
10 or used cars. The other association that was here
11 accepts only new car dealers.

12 MR. SEDGWICK: Yes, franchised
13 dealers.

14 MR. DAVIDSON: Right.

15 MR. SEDGWICK: Then on page 2 under
16 the heading of Credit Provincial Licensing, just what
17 is the difference or what will be the difference between
18 provincial and municipal licensing?

19 MR. DAVIDSON: Well, we felt that
20 the problem was primarily of interest in Metropolitan
21 Toronto where, as I pointed out, there is 1200 provincial
22 Class A licences as opposed to 200 car lots, with the
23 thought that the provincial licensing regulations are
24 slower to bring about in terms of what we would like to
25 see. We felt that we should make our representation
26 to the Metropolitan Council. And they are in a position
27 to pass legislation there that would certainly clean up
28 the situation in Toronto, or help to.

29 MR. SEDGWICK: I was coming to that.
30 Toronto isn't all of Ontario. Is it your suggestion that



1 provincial licensing of car dealers be abrogated and
2 that the matter be left to the various municipalities
3 to licence them as they see fit?

4 MR. DAVIDSON: Normally I would think
5 that the Province should be the final issuer of the
6 licence, but on the application for licensing with the
7 Province it declares that the licence is granted
8 providing that the municipal by-laws are adhered to.
9 This, in a sense, is sort of a double type of protection
10 where you can't get a provincial licence without
11 municipally being acceptable.

12 MR. SEDGWICK: So you have another
13 licence. You have first a municipal licence and then
14 almost as a right the holder of a municipal licence
15 can get a provincial licence, is that it?

16 MR. DAVIDSON: Well, it could work
17 that way, Mr. Sedgwick.

18 MR. SEDGWICK: I just want to know
19 what your suggestion is. Or is it your suggestion that
20 the Province move out of the licensing field and that
21 the municipalities move in?

22 MR. DAVIDSON: We feel that it is
23 certainly a problem in Toronto and possibly we are
24 narrow in our outlook in thinking that this is the place
25 to start.

26 MR. MacDONALD: Are your members
27 exclusively in the car business?

28 MR. DAVIDSON: Yes, Mr. MacDonald.

29 MR. SEDGWICK: You say that there
30 are 1,200 dealers. When we had before us the Toronto



1 Automobile Dealers Association -- I'm looking at their
2 brief -- they said that they represented 134 franchised
3 new automobile dealers in the Counties of York and
4 Ontario, excluding Metropolitan Toronto, -- and he
5 said that 134 represented 90% of the new dealers in
6 Metropolitan Toronto. It's so different a figure from
7 your figure of 1,200 -- I was wondering --

8 MR. DAVIDSON: He was speaking in
9 terms of 90% of the new car dealers.

10 MR. SEDGWICK: Oh, I see. Then,
11 presuming he is right, there is only about 140, would
12 there be something like 1,000 or more used car dealers
13 who are not franchised?

14 MR. DAVIDSON: There are 1,000 or
15 more licences that are issued, they are not necessarily
16 dealers in the sense that they operate from any place
17 of business. They do hold licences, though, to buy and
18 sell automobiles.

19 MR. SEDGWICK: Oh, so that they could
20 operate from their house?

21 MR. DAVIDSON: Exactly, exactly.

22 MR. SEDGWICK: Then they must form
23 the greater majority.

24 MR. DAVIDSON: They do, they do.

25 MR. SEDGWICK: I hadn't understood
26 that.

27 MR. THOMPSON: If I may interject a
28 comment here. There are cases where people are buying
29 a \$2,000 car which involves a sales tax of \$60.00 and
30 rather than pay it they will go and pay their \$25.00 and



1 get a provincial Class A licence and a vendor's permit
2 and take a car twice a year and in this way avoid the
3 payment of the sales tax on a car that's personally
4 owned. They are not in business at all.

5 MR. SEDGWICK: I want you to under-
6 stand that none of my questions are critical, I'm just
7 seeking information. At the head of page 4, I think it
8 starts at the bottom of page 3, where you give an example
9 of dealings that amount almost to fraud. It doesn't
10 really help this Committee to deal in generalities.
11 Could you either here, publicly, or later in private,
12 give the Committee names of people who have been guilty
13 of practices of this kind and specific examples? You
14 see, we can't inquire into a generality, I don't know
15 whether it is so or not. If you said that a certain
16 incident happened in April of 1963 and the dealer was
17 John Jones, then the Committee, I think, might be able
18 to do something about it.

19 MR. DAVIDSON: Well, Mr. Sedgwick,
20 we sort of anticipated this in the sense that I feel
21 that there is more than ample evidence of the type of
22 sales that I have described with the Better Business
23 Bureau and with agencies who are dedicated to trying
24 to clean up this part of the car business.

25 MR. SEDGWICK: The Better Business
26 Bureau appeared here but I can't recall that they gave
27 us any examples of this kind, of the kind that you
28 mention. In fact, I'm sure they didn't.

29 MR. THOMPSON: I don't think they
30 gave anything specific, but there are many of them along



1 the line, there are many examples in the Court Records
2 daily.

3 MR. SEDGWICK: I suppose then -- this
4 is only a comment -- on the top of page 4 you say that
5 the dealer can keep the deposit or down payment by
6 telling the purchaser that his credit is no good and
7 the finance company has turned him down. Do you mean
8 that he takes the deposit and refuses the transaction
9 and keeps the money?

10 MR. DAVIDSON: Yes, sir. Yes, indeed.

11 MR. SEDGWICK: I can't think that
12 comes under the heading of consumer credit. I should
13 have thought that was criminal fraud.

14 MR. DAVIDSON: I think so too, but
15 unfortunately --

16 MR. SEDGWICK: I think when you get
17 to criminal fraud that is a matter for some other body,
18 the Crown Attorney of Ontario.

19 MR. DAVIDSON: Well, I think they have
20 some experience in this field.

21 MR. SEDGWICK: That's certainly very
22 bad and should be stopped. But it really has nothing
23 to do with consumer credit, it's out and out fraud.

24 MR. DAVIDSON: In a sense it has
25 nothing to do with consumer credit except for the very
26 fact that if it were not for the instruments, as I
27 mentioned in the brief, of consumer credit, there is no
28 way that this could be done. If the man wasn't in a
29 position where he had to sign a conditional sales
30 contract, for example, and there was nothing further



1 done -- it was just a case of taking a deposit on a
2 car and absconding with that deposit, that would be
3 something else. But in this case they take the deposit
4 in conjunction with signing the man up on a conditional
5 sales contract and therefore they can complete the deal
6 if they see fit, they can refuse the deal if they see
7 fit, as long as they haven't made delivery of the car.
8 But in many cases they can just say to the man, if the
9 deposit, say, is substantial enough to warrant it and
10 the dealer dishonest enough, they can say to the man,
11 "On the basis of what you have signed, we feel that
12 your credit is not good enough and therefore you lied
13 to us, you didn't give us accurate information and
14 therefore we will keep you deposit as a penalty of this".

15 MR. SEDGWICK: I would think he
16 would certainly be liable, civilly.

17 MR. DAVIDSON: I would think so too,
18 but, as I say, this is happening, Mr. Sedgwick, and
19 except for those few people who are careful enough to
20 consult their lawyer after this type of experience, it
21 goes on unabated. The real theory of ours is that the
22 only way you can stop a crook is by refusing him the
23 privilege of doing business.

24 MR. SEDGWICK: That comes back to
25 your suggestion as to a much stricter licensing code.

26 MR. DAVIDSON: Exactly.

27 MR. THOMPSON: Where this relates
28 more closely, I think, to the field of consumer credit
29 is in this way, that you find out that the man who has
30 his deposit held as a penalty has recourse through the



1 Civil Courts. But the thing we have to keep in mind
2 is that these poor people, they don't have the money
3 to go and hire a lawyer to fight it for them. I think
4 the dealers have to accept some responsibility to the
5 public because they just can't do it on their own. They
6 have to give up their \$25.00, they can't afford to fight
7 for principles. It will cost them another \$50.00 to
8 get it back.

9 MR. MacDONALD: This is precisely
10 the point. I know of a case where it's a \$50.00 down
11 payment and they used arguments that they had done
12 something for it, but really walking out with the \$50.00.
13 What's the fellow going to do? Is he going to hire a
14 lawyer and pay him \$100.00 to take it to Court.

15 MR. SEDGWICK: I'm not being critical,
16 I was just --

17 MR. DAVIDSON: Well, we are critical.
18 (Laughter)

19 MR. THOMPSON: Where I think it
20 enters the field of consumer credit too, is in this
21 way: The dealer who pulls this sort of trick is also
22 the man who says to John Doe, "Here, sign this contract
23 in blank. Your payments will be \$40.00 a month", which
24 the man and his wife have somehow been able to squeeze
25 out of the food and clothing budget and so on. When
26 he gets his copy of the contract in the mail, if he gets
27 one at all, several weeks later, they don't charge him
28 \$40.00 a month, it's likely to be \$60.00 and on a small
29 budget anybody knows what this is going to do to him.
30 These people are out of business before they get started.



1 MR. SEDGWICK: And then on page 6
2 where it says, ... "yet, these facilities are extended
3 freely by companies that are willing to look the other
4 way simply because there is money in it". It has
5 been suggested to this Committee that the finance
6 company that lends on paper of this kind or in connection
7 with durable goods at all, might have no recourse except
8 the recourse of the item itself. They can repossess the
9 car if they like but they couldn't sue the signer of
10 the note. The full security would be the car or
11 refrigerator or whatever it was on which they lend their
12 money. If it is true that that is so in at least one
13 Province in Canada, had you considered that as being
14 a remedial suggestion?

15 MR. DAVIDSON: I don't. I feel, first
16 of all, the very fact that the consumer has experienced
17 what is called a repossession and a reflection on his
18 credit that entails for the rest of his life, is a very,
19 very bad side effect of this type of thing.

20 MR. SEDGWICK: Suppose that the
21 holder of the paper, suppose all he could do was
22 repossess and not sue the signer of the note for any
23 deficiency. Do you think that might check some of
24 the practices of which you rightly complain?

25 MR. DAVIDSON: It would certainly
26 help but I don't think it's the overall answer.

27 MR. SEDGWICK: Oh, it may not be.

28 MR. THOMPSON: It gives a lot of
29 protection to the public but it gives none at all to
30 the dealer because we need protection in this way; for



1 example, the people who don't make payments on cars
2 are very often the irresponsible type who don't take
3 care of them and conceivably they can give you your
4 car back with much greater than normal depreciation
5 which would put the dealer in a loss position and I
6 don't think this would be fair from our point of view.

7 MR. SEDGWICK: It's my recollection
8 -- I think I have it here -- that under the English
9 Purchaser Act the owner, that is, the lender of the
10 money, is denied the right to seize the goods except
11 by Court Order and as soon as one-third of the price
12 has been paid. Do you think that might be fair?

13 MR. DAVIDSON: Automobile pricing
14 today is so flexible that just setting one-third, I
15 don't think necessarily would accomplish too much, Mr.
16 Sedgwick. It's quite conceivable for a man, for
17 example, buying a brand new car. One man could go out
18 and buy that car for \$4,000 and another man who is a
19 better shopper could buy that car for \$3,200. Now if the
20 man who bought it for \$4,000 had paid one-third of his
21 money towards it, it still leaves a vast gap.

22 MR. SEDGWICK: I'm aware of that, but
23 it might make dealers a little more careful. Instead
24 of selling for a dollar down and a dollar a week they
25 might protect themselves by getting some deposit that
26 bore a reasonable relation to the risk in getting the
27 balance.

28 And then under the English Act -- and
29 this apparently has worked since 1938 -- the buyer, that
30 is, the purchaser, has the right to return the goods and



1 end the agreement by paying the instalments due and
2 picking the amount paid, if he has paid less, up to
3 one-half of the total purchase price. That is, if the
4 car is \$4,000 and he has paid \$2,000 and is unhappy,
5 he can return it and end the agreement. What do you
6 think of that?

7 MR. DAVIDSON: I have never heard
8 of this before, but I think that's good. I truly do,
9 because it will do two things. First of all it will
10 stop people from buying over their heads --

11 MR. SEDGWICK: That's what I had
12 in mind -- that's what they had in mind in England.

13 MR. DAVIDSON: They will accumulate
14 money to buy the car properly and when we sell them
15 then we have got a safe transaction. It might delay
16 business by six months but the net result would be the
17 same.

18 MR. SEDGWICK: I am as worried as
19 you are, as stated on page 6, about deceptive advertising.
20 I suppose it is in a sense related to consumer credit
21 but there again do you have any of these advertisements
22 that we can look at? You speak about remedies. I
23 suppose you are aware that there is a false advertising
24 section of the Code and there have been prosecutions
25 under it involving well over a quarter of a century. I
26 know I prosecuted the Canadian Tire for false advertis-
27 ing. They were advertising a six ply tire which was, in
28 fact, only four ply. And I think the same section has
29 been strengthened since, and would apply to both of the
30 examples which you give. I wouldn't have any useful



1 opinion unless I could see them. Do you have any of
2 those advertisements?

3 MR. DAVIDSON: I didn't bring them
4 but they are readily available.

5 MR. SEDGWICK: Could you let Mrs.
6 Dell have some of them? Not now, but at some later
7 time.

8 MR. DAVIDSON: Yes.

9 THE CHAIRMAN: Mr. Irwin, do you
10 have a question?

11 MR. IRWIN: Mr. Chairman and Mr.
12 Davidson, my questions are mainly complimentary. I
13 would make this observation, to your credit, that despite
14 your apology for lack of experience in presenting
15 briefs, you succeeded in presenting a very interesting
16 and fair one and have opened up some very interesting
17 new grounds. I think that it's good that you place,
18 as on page 5, the question of the disclosure of interest
19 in it's perspective with other abuses otherwise related
20 to consumer credit. I recognize that the disclosure
21 of the rate alone is not the sole answer to many of
22 these problems. Specifically referring to Mr. Sedgwick's
23 questions about the manner and means by which these
24 unscrupulous dealers manage to retain the original
25 deposit; I perhaps ask this out of ignorance, but is
26 it not possible that before one could assess just how
27 they are doing this you would have to actually see the
28 contract that was signed. I understand they do sign
29 a contract in which the amount of the deposit is stated
30 and I suppose that if there were some wording in that



1 contract drawn up by a bright lawyer, that it could
2 be such as to be a fee for investigation or something
3 like this which, perhaps, would be similar in nature
4 to the fee that is paid and collected on application
5 for a loan, for a mortgage loan, about which we have
6 heard in this Committee. Perhaps you would like to
7 comment on that?

8 MR. SEDGWICK: Well, I don't know.
9 That's why I asked for specific examples. I really
10 don't know. Generalizations aren't very helpful. It
11 may well be that there is some clause that says that
12 if the credit is refused they can keep the deposit of
13 \$25.00 or \$50.00 for their efforts in endeavouring to
14 secure financing. But I feel, Mr. Irwin, that I can't
15 make any useful recommendation unless you have some
16 concrete examples.

17 MR. DAVIDSON: Well, unfortunately,
18 as I say, we don't have any specific examples with us.
19 We felt that the very fact that we suggested that this
20 happens, in itself, and we are speaking in all honesty
21 in saying so, might be enough to induce the Committee
22 or other powers that be to take action to investigate
23 this type of thing.

24 MR. SEDGWICK: We merely just want
25 to know where we can look.

26 MR. DAVIDSON: The place to look, I
27 would think, as I say, is certainly in as far as the
28 Better Business Bureau is concerned and I also feel
29 that the Auto Squad of the City of Toronto has, as
30 their province, the investigation of this type of thing.



1 MR. IRWIN: Who has?

2 MR. DAVIDSON: The Auto Squad of
3 the City of Toronto.

4 MR. IRWIN: Do they?

5 MR. DAVIDSON: Oh, yes. As a matter
6 of fact, when we presented our brief to the Licensing
7 Commission, Inspector Holmes of the Auto Squad and
8 Detective Sargeant Craven were attending and certainly
9 attending sympathetically.

10 MR. SEDGWICK: Probably Inspector
11 Erskine of the Provincial Police -- have you anything
12 to do with him?

13 MR. DAVIDSON: No, I have not.

14 MR. IRWIN: One other thought and,
15 I think for the record it is important to draw
16 attention to it, although again, as I said earlier,
17 the mere disclosure of interest rates is not necessarily
18 the whole answer, but on your page 5 it is refreshing
19 to see someone from the automobile business say, and
20 I quote, "I feel free to say that any finance company
21 that can produce the wide variety of extremely explicit
22 rate charts now in use, would surely be equipped to
23 disclose its rates of interest in percentages as well
24 as dollars". Following along from that, I already know
25 but I'll ask anyway, that in some cases with some dealers
26 they produce whatever rate chart they think would be
27 of most advantage to them. There isn't just one rate
28 chart available to the salesman or the accounting staff
29 that backs him up, but depending on the feel of the
30 salesman towards the customer's capacity for gullibility,



1 he will produce that rate chart which he thinks will
2 be most beneficial.

3 MR. DAVIDSON: I might also point out,
4 Mr. Irwin, that there is another capacity of the
5 customer that sometimes has a bearing on the rate chart
6 that is used too, and that is the capacity of the
7 customer to bargain in many cases affects the sale in
8 such a way that the dealer feels that his only recourse
9 is to use a more profitable rate chart.

10 MR. IRWIN: So that adding one more
11 rate chart wouldn't add too much to the confusion that
12 already exists?

13 MR. DAVIDSON: No.

14 MR. IRWIN: On page 6 also, I think
15 there is a very interesting new suggestion, about
16 the middle of the page, which says, and I quote, "It is
17 high time that the finance industry insisted on a code
18 of ethics for their dealers to use in their dealings
19 with the public". I don't know as this has been
20 expressed in a broad way before. I won't elaborate on
21 that but just to close with a little facetiousness, your
22 concluding line is, on page 8, "I am certain that it
23 will be a credit to the consumer". I don't suppose
24 there was a play on words or a pun intended there, was
25 there?

26 MR. DAVIDSON: Well, that's right.
27 (Laughter).

28 THE CHAIRMAN: Mr. Lawrence?

29 MR. LAWRENCE: Mr. Davidson, I
30 wouldn't apologize for the tenor, the language or the



1 arguments presented. I think it is a very excellent
2 brief. I'm glad you are not going to let yourself
3 be backed into the corner. Perhaps Mr. Sedgwick wants
4 to back you in there. I don't think it's your position
5 or even this Committee's when people like yourself
6 come before them to detail or be specific in some of
7 these things. You will not be the accuser, at least
8 as far as this Committee is concerned. I think we have
9 all had instances brought before us of fraud, by
10 constituents, on some of these things. I think the
11 Courts are the proper place to try those things.

12 I think because of your knowledge
13 and of your intention to clean up the small percentage
14 of operators in the field that are dragging the whole
15 industry down with you, I would hope that your Associ-
16 ation would consider appointing a Counsel or getting a
17 Counsel -- I see Mr. Maloney's name mentioned there --
18 to bring some of these cases to the attention of the
19 Crown Attorney.

20 MR. DAVIDSON: I'll be very frank,
21 Mr. Lawrence, if I may answer that in this sense. When
22 I said fledgling association, that is exactly what we
23 are and we just don't have the means to absorb that type
24 of service.

25 MR. LAWRENCE: Well, there's another
26 thing which Mr. Sedgwick has already mentioned, the
27 criminal code. This would not cost you any money to
28 bring to the attention of the Crown Attorney some of
29 the actions of some of the newspapers in this field
30 and also it wouldn't cost you any money to point out to



1 BBB some of these radio advertisements either.
2 Certainly it a duty on the part of the radio stations
3 on this thing and I think certain action could be
4 taken as far as the licences held by some of the broad-
5 casting companies if they are as bad as you said.

6 MR. DAVIDSON: Well, I understand
7 that they are sparely restricted in accepting advertising
8 as far as radio stations are concerned and certainly
9 how anybody could possibly monitor this particular
10 broadcast, could condone it, is beyond me.

11 MR. LAWRENCE: Well, I don't see why
12 you don't put the information before the Board of
13 Broadcasters. I don't think you would need a high priced
14 lawyer to do that.

15 MR. SEDGWICK: There are specific
16 provisions, as you know, and reservations set for
17 misleading advertising --

18 MR. DAVIDSON: It all turns on the
19 interpretation --

20 MR. LAWRENCE: In any event I would
21 think it is your duty almost if not one of the objectives
22 of your association to stop it.

23 MR. DAVIDSON: Our objective is to
24 bring this to your attention.

25 MR. LAWRENCE: Well you have done
26 it very forcefully too, I think. May I show the depth
27 of my ignorance in this field, I didn't realize that
28 the Department of Transport does issue or does have
29 the power to licence any of these people. What are
30 these things, are these licences issued to dealers or



1 to salesmen?

2 MR. DAVIDSON: No, to dealers.

3 MR. LAWRENCE: Dealers.

4 MR. DAVIDSON: You have a provincial
5 Class A garage licence.

6 MR. LAWRENCE: Oh, I see, a garage
7 licence.

8 MR. DAVIDSON: It's a garage licence.

9 MR. LAWRENCE: And you cannot deal
10 in the sale of cars, used or new, unless you have a
11 Class A garage licence?

12 MR. DAVIDSON: That's right.

13 MR. LAWRENCE: But you can get a
14 garage licence without having a garage?

15 MR. DAVIDSON: Not only without a
16 garage, you can have it without having any permanent
17 address. You can use the Ford Hotel.

18 MR. LAWRENCE: I see. I would agree
19 with you then. I'm glad you brought this to our
20 attention because I, for one, certainly didn't realize
21 that there was that angle to the story. That's some-
22 thing we should certainly look into.

23 Is there any licensing at the moment
24 at all of salesmen?

25 MR. DAVIDSON: No.

26 MR. LAWRENCE: Because my experience
27 has been when questioned by clients or constituents who
28 ask me some of these things, that quite often the dealer
29 will throw up his hands in mock horror and say, "Oh, it's
30 that salesman again. Of course we fired him three weeks



1 ago". And that's it. (Laughter)

2 MR. DAVIDSON: That's right.

3 MR. LAWRENCE: Is there any licensing?

4 MR. DAVIDSON: No.

5 MR. LAWRENCE: Of salesmen?

6 MR. DAVIDSON: Not to my knowledge.

7 MR. LAWRENCE: Do you have any
8 suggestions to the Committee? Or would you like to --

9 MR. DAVIDSON: Certainly. Let's
10 put it this way, when we are talking about bonding,
11 which we feel could be a very effective control, first
12 of all over the dealer, we also feel that no bonding
13 company in its right mind would permit a dealer to be
14 bonded without bonding his salesmen as well. So that
15 the salesmen also are committed to a course of ethical
16 conduct.

17 MR. LAWRENCE: Is there any
18 association for any union as such -- I guess the
19 Teamsters haven't gotten into the field as yet -- as far
20 as salesmen are concerned.

21 MR. DAVIDSON: I think they have
22 tried.

23 MR. LAWRENCE: Is there any way in
24 which the car salesmen of this Province can police
25 themselves in any way that you know of?

26 MR. DAVIDSON: No.

27 MR. LAWRENCE: Nothing at all?

28 MR. DAVIDSON: Not a thing. It's
29 wide open.

30 MR. LAWRENCE: And the dealer associ-



1 ations, are there any other used car dealer associations
2 in Toronto?

3 MR. DAVIDSON: Not to my knowledge.

4 MR. LAWRENCE: Yours is the only one?

5 MR. DAVIDSON: Ours is the only
6 one. Well, the TADA is the Toronto Automobile Dealers
7 Association.

8 MR. LAWRENCE: Those are only
9 franchised dealers?

10 MR. DAVIDSON: Those are only fran-
11 chised dealers.

12 MR. LAWRENCE: There would be no
13 industry-wide association of dealers?

14 MR. DAVIDSON: That's just it, there
15 is none. I understand that in the States there has
16 been a trend to setting up independent dealer organi-
17 zations for both new and used car dealers, as diversi-
18 fied from the National Association of Automobile
19 Dealers. But that is all there is in the way of an
20 association and quite frankly it seems to me that the
21 salesmen themselves, having regard for their responsi-
22 bility to an employer, don't really require too much
23 of an association as long as the employers themselves
24 are in one.

25 MR. LAWRENCE: I think your repre-
26 sentations to Metro Council are quite intriguing. So
27 often at the provincial level we get pressures on
28 us the other way. I'm not so sure you are right. I
29 don't know enough about it honestly to know whether
30 you are right or wrong. But supposing it was taken out



1 of the provincial jurisdiction and handed over to the
2 municipalities. I was just wondering if you wouldn't
3 get a stream of operators set up on the (rest of
4 sentence inaudible)

5 MR. DAVIDSON: We considered that
6 too. But of course the very fact of location in a city
7 as large as Toronto takes care of the widest coverage
8 of used car sales. That in itself -- we are trying
9 to start somewhere and we thought this would certainly
10 be a terrific start.

11 MR. LAWRENCE: If this Class A
12 licence then was taken up -- I mean if your objections
13 are that the provincial regulations have been pretty
14 loose --

15 MR. DAVIDSON: Extremely, extremely.

16 MR. LAWRENCE: Therefore you have
17 gone to a municipality saying that, "If they don't do it
18 you people had better". Well if they did, in other
19 words if the Province did tighten up, would you --

20 MR. DAVIDSON: This would be a
21 tremendous asset.

22 MR. LAWRENCE: Would you feel that
23 this would be better than the municipality?

24 MR. DAVIDSON: Yes, I do, absolutely.
25 Our reluctance, if I may say so, to approach the
26 Province directly -- well, this is a very good example
27 of it. I was informed that this Committee will be
28 sitting next Spring as well as now, aside from sessions.
29 Now at the end of the time that this Committee has
30 completed its investigation, you will then take action



1 to make recommendations. All these things, Mr. Lawrence,
2 take so much time and in terms of our fledgling group,
3 frankly I don't think its life expectancy will survive
4 to that time.

5 MR. LAWRENCE: This business of
6 the sales tax too. Does the Treasury Department issue
7 vendor's permits to anybody who has a Class A licence?

8 MR. DAVIDSON: Yes, they do.

9 MR. LAWRENCE: They depend on the
10 validity of the Class A licence?

11 MR. DAVIDSON: Yes, that's right.
12 It's ridiculous. Again I may be asked for evidence.
13 I can only say something that I've heard, but I under-
14 stand there are some people who are using as operating
15 capital the sales tax that they collect.

16 MR. LAWRENCE: Your comments in the
17 middle of page 6, where it says, "The worst criticism
18 one can make of finance companies is their lack of
19 discrimination in supporting questionable dealers".
20 This has been a point that some of the finance companies
21 representations to this Committee -- of course when
22 anybody gets before us they all wear a halo and --
23 but how can we really stop the transfer of bad paper
24 on this thing? I agree with your criticism. I know
25 some of these finance companies do need --

26 MR. DAVIDSON: They do. It's
27 important.

28 MR. LAWRENCE: You haven't made any
29 suggestions --

30 MR. DAVIDSON: No. Obviously it is



1 a very difficult thing to try and -- particularly from
2 a dealer's standpoint -- to try and tell the finance
3 company what to do because in most cases we are supported
4 by the finance companies. But the finance companies
5 seem to be so aggressive, they seem to feel the need
6 for more dealer's business is so important to them that
7 they are taking marginal and undesirable dealers on
8 as accounts. It seems a crime that such a thing
9 happens. Now again, you wouldn't have to really
10 insist on a finance company policing their dealers if
11 the licensing regulations themselves insisted on it.

12 MR. THOMPSON: A few years ago here
13 in Toronto, and I know whereof I speak but I won't name
14 names -- a major finance company was supporting a major
15 franchised dealer here in Toronto. They were adver-
16 tising and selling new cars at less than their factory
17 invoice prices and they were able to stay in business
18 by means of what's called in the trade a "shuffle"
19 where, as I mentioned earlier, where payments are
20 quoted to the customer as \$40.00 a month and given to
21 him as \$60.00. But this finance company must know
22 what's going on from this dealer because everyone,
23 as soon as they receive their copy of the contract and
24 their payment booklet, their first reaction is going to
25 be to call the finance company and protest most
26 vehemently. So obviously what our brief says is right.
27 They close their eyes to this thing because there is
28 profit in it.

29 MR. SEDGWICK: Would it be an answer
30 -- and this has been suggested here on a number of



1 occasions -- that the finance company should be subject
2 to the equities existing between the dealer and the
3 purchaser so that any fraud on the part of the vendor
4 of the article would taint the paper to that extent?

5 MR. DAVIDSON: It would certainly be
6 an effective control.

7 MR. SEDGWICK: It would seem so to
8 me, for a number of reasons.

9 MR. LAWRENCE: It would be quite an
10 extreme, that control, there is no doubt about it, but
11 if conditions continue in the state they are we have
12 got to do something.

13 MR. DAVIDSON: That's just it.

14 MR. LAWRENCE: Well, thank you very
15 much for your brief. There is one thing I would like
16 to say, though, to the Chairman. I don't think we have
17 to go to the Better Business Bureau at all if we want
18 more examples of abuse in this particular field, Mr.
19 Chairman. I think all you would have to do is make
20 some forthright declaration right here now and the press
21 will report it and I'll bet you we will have any number
22 of people knocking at our doors from now until next
23 week asking to be heard before the Committee, if you
24 want to turn the Committee over to that sort of thing.
25 I'm not so sure you do, or we do, or it should be, but
26 I don't think we need to rely on any other means except
27 the power of the press here, if you want to have examples
28 of abuses in the field brought before the Committee.

29 THE CHAIRMAN: I think as the result
30 of the brief we have heard this morning we will



1 probably get a number of cases brought to our
2 attention. Any questions, Mr. Bukator?

3 MR. BUKATOR: Well --

4 A SPEAKER: Sir, as a member of the
5 press, are you suggesting that we invite people to
6 communicate --

7 THE CHAIRMAN: No, but I say I
8 think as a result of the brief we have had this
9 morning that a number of cases probably will be
10 brought to our attention, of the types that have been
11 mentioned in the brief.

12 MR. BUKATOR: I consider myself
13 quite a courageous little man -- (laughter) -- but
14 I don't know where this man, or what he eats for
15 breakfast -- I'd like to find out. (Laughter).
16 You have taken a very bold step. You have no doubt
17 calculated this all before you presented this brief.
18 You are dealing with some pretty rough customers in
19 this used car business that are not established in
20 any particular garage or business establishment. So
21 I want to commend you for your forthright attitude.
22 Somebody had to take the bull by the horns and you
23 certainly have done that. I like this one item Mr.
24 Irwin read to you -- "I feel free to say that any
25 finance company that can produce the wide variety of
26 extremely --

27 MR. DAVIDSON: Explicit --

28 MR. BUKATOR: I can't even read
29 those words --

30 MR. DAVIDSON: I must apologize for



1 the --

2 MR. BUKATOR: -- rate charts now in
3 use, would surely be equipped to disclose its rates of
4 interest in percentages as well as dollars, if a
5 uniform method of calculation was required of all
6 leading institutions". Now, I go back --

7 MR. DAVIDSON: Lending institutions.

8 MR. BUKATOR: Lending. Now, I go
9 back to the banks and if I recall rightly I have
10 promised to pay on demand to the bank of so and so
11 \$1,000 at the rate of interest of 6%. I am wondering
12 whether when we come to that, Mr. Chairman, where we
13 have possibly decided to agree that the rate of interest
14 should be put in this contract. But when the man says
15 he will buy that car for \$1,200 and that he has
16 agreed to pay a true rate of interest of 7%, why does
17 it have to be calculated to the last dollar at that
18 time by that salesman if he's not capable of it. Many
19 salesmen cannot do it on the fender of a tractor out
20 in the bush someplace because he hasn't got the
21 necessary thousands of charts. But if I was to sign
22 a contract for \$1,000 in exchange for some unit at
23 the rate of 7% true interest, I would know that there
24 was going to be a 7% true rate of interest. Then the
25 man could say approximately so many dollars. I
26 know you don't like this approximate bit, but there it
27 is in facts and figures. A true rate of interest on
28 whatever the figures may be. It's as simple as that.
29 You do it with your banker. You don't say to the
30 banker on that demand note, "How much is it going to



1 cost me at the end of three months?" If you have got
2 your head screwed on right you know what it is going
3 to cost you in six months time or whenever you take
4 advantage of this demand note or pay off a portion and
5 then pay 6% on the unpaid balance.

6 I like you brief, I like your
7 attitude and I wish you luck.

8 MR. DAVIDSON: Thank you.

9 MR. BUKATOR: You may need it.

10 (Laughter).

11 THE CHAIRMAN: Mr. MacDonald, do
12 you have any questions?

13 MR. SEDGWICK: What if the banker
14 says approximately 7%?

15 MR. BUKATOR: I don't say approxi-
16 mately 7%. I'm talking about --

17 MR. SEDGWICK: You can't say
18 approximately anything.

19 MR. BUKATOR: No, you can't. But
20 you can say the exact figure of percentage, that case.
21 I didn't mean to convey anything other than that.

22 MR. MacDONALD: Well, Mr. Chairman,
23 nothing I can say by way of commending these witnesses
24 can add to what has been said other than, I think if
25 we have got a few funds at the disposal of the Committee
26 we should strike a medal for them.

27 I have a suggestion I want to raise
28 with the Committee, though. This is not a new experi-
29 ence. I sat on a Committee looking into the Labour
30 Relations Act about six years ago and we had come before



1 the Committee on one instance, allegations of wide-
2 spread -- in fact not so widespread -- instances of
3 intimidation, criminal activity. It had to do with
4 the alleged operations of the Teamsters in Connie
5 Smythe's gravel pits up north. The net result of the
6 Committee in this instance was that the Chairman of
7 the Committee, the late James Maloney, put the man
8 under oath, took the evidence, took it to the Attorney
9 General's Department and a Royal Commission was set up
10 to investigate it. And we resolved that. Before the
11 Committee was finished we had another brief. Unfor-
12 tunately it came from Trade Unions and therefore it
13 didn't get the same credence before the Committee. It
14 was a brief that came and said that there are wide-
15 spread operations in this City of contractors who are
16 guilty of criminal activity in that they will put on
17 the outside of a pay envelope a certain number of
18 dollars and inside there are fewer dollars and the
19 worker objects to it, they correct it and then they
20 lay him off the next day. Civil violations, such as
21 vacations with pay and things of this nature. And
22 the Committee did nothing. In fact, Mr. Sedgwick,
23 what they did was what you did a bit of, "Can you give
24 us evidence?" And they quite rightly said, "We don't
25 want to give you evidence. This is so widespread, this
26 is your job to dig it up". And nothing happened until
27 two years later, we had a violent strike in this City,
28 and the members of the Labourers Union focused attention
29 on it and we had to go to a Royal Commission and now,
30 presumably, we are coming to grips with it.



1 Now the problem we face here is
2 sure, this is a problem of consumer credit, but it
3 verges into, beyond any shadow of a doubt, widespread
4 illegal activity. Now I want to suggest, Mr. Chairman,
5 that what this Committee should do, because there
6 is some possibility that we are going to be re-estab-
7 lished in our work, certainly we are only starting our
8 work. That rests with the Legislature, I recognize
9 that. But I want to suggest that the Committee should
10 request an investigation of this field by the proper
11 authorities. I, for the life of me, just can't under-
12 stand why various provincial government agencies and
13 why municipal government agencies have winked at this
14 kind of thing as long as they have. It puzzles me
15 as much as the widespread tolerance of bookies in the
16 City where policemen were walking past them. Now I
17 understand this was common practice. But if we are
18 going to be relieved of that portion of it which is
19 really illegal and not within our jurisdiction, I agree
20 with Mr. Lawrence, I don't believe it is our function
21 to start bringing in these people and try to nail this
22 down, it's the function of the Department of Transport,
23 it's the function of the Metro Licensing Commission
24 and various other bodies to get in here and clean this
25 field up insofar as the widespread illegality is
26 concerned. Then we are left with our portion of the
27 job. So I put the proposition to you: Is it, since
28 we are likely going to be resuming in May or June, a
29 feasible proposition to do what the Chairman of that
30 Labour Relations Committee did in one half of the story,



1 namely dealt with the agents, to request the Attorney
2 General's Department to investigate this field through
3 whatever agency is necessary, the Department of
4 Transport, the Metro Licensing Commission, it will have
5 access to them all, and to resolve this. Because it
6 strikes me as being incredible that this degree of
7 illegal activity is tolerated and for some reason or
8 other the normal administration of justice just is
9 afflicted with a case of inertia. It is difficult
10 to get words to describe it.

11 THE CHAIRMAN: Do you feel, Mr.
12 MacDonald, we should take some action as a Committee
13 before we bring our report in to the Legislature?

14 MR. MacDONALD: What happened in
15 the other instance and whether it was orthodox or
16 unorthodox I don't know -- he was capable of unorthodox
17 action -- but he got action. What he did was to a
18 Chairman of a Committee -- in this instance with the
19 sworn evidence of a man, because it was an isolated
20 case of alleged intimidation in the instance of organ-
21 izing the gravel pits of Connie Smythe. But I don't
22 think you need to have specific evidence. I think
23 anybody who decides they want to go into this can get
24 evidence from a dozen and one places. Everybody knows
25 where you can get it. In other words what we, in effect,
26 would do, is to draw this to the attention of the
27 Attorney General's Department and ask them to initiate,
28 in whatever way they see fit, an investigation into this
29 field with a view to cleaning it up. Then when we
30 come back here in May or June we are in a position to



1 deal with what is really within our jurisdiction,
2 namely the consumer credit angle of it, freed of all
3 the fraud and deception and everything else.

4 MR. LAWRENCE: Mr. Chairman, if Mr.
5 MacDonald's suggestion is that in an interim report
6 to the Legislature, and I assume it will be an interim
7 report, but that's up to the Committee obviously, that
8 the government appoint some sort of judicial investi-
9 gation into the used car business and the licensing of
10 dealers and salesmen in the Province and also, perhaps
11 even in relation to the conditional sales agreements
12 and how they are taken and sold. If that is his suggestion
13 that the Committee suggest this in the interim report
14 I would certainly endorse it.

15 MR. MacDONALD: I don't object to
16 it going in the Committee's report except, with these
17 gentlemen, I object to that degree of delay and I think
18 it is unnecessary. We can put it in our report and
19 we can say in our report we have already drawn this
20 to the attention of the Attorney General. But in the
21 earlier instance the Attorney General didn't wait for
22 a report at all. In fact it was incredible the speed
23 at which action took place in this instance. I think
24 within a week of the testimony before the Committee
25 and the representation to the Attorney General's
26 Department, some Commissioner was appointed -- who was
27 the Commissioner of that investigation?

28 MR. SEDGWICK: I have forgotten
29 but I remember Maloney's Committee very well.

30 MR. MacDONALD: Well, some judge was



1 appointed to look into it. In other words our report
2 is, in effect, we can't report now except that we have
3 drawn this to the attention of the Attorney General's
4 Department and, if by that time they haven't acted,
5 then we can speak on it in the House and emphasize.
6 But meanwhile they may act. And if they do, fine.
7 There is some possibility we may have a report by the
8 time we get back into action in May.

9 MR. LAWRENCE: Can we ask you, as
10 Chairman of the Committee, to inform the government
11 or the Attorney General of the concensus of the thoughts
12 of the members of this Committee at this stage, or
13 does a member have to go out and bring it to the
14 attention of another man who --

15 THE CHAIRMAN: What we are dealing
16 with here is an investigation growing out of an
17 investigation, really. I don't view the matter quite
18 in that way. I think our job is to make a thorough
19 investigation and bring in a report. Now we could
20 consider, as Mr. Lawrence has mentioned, bringing in an
21 interim report and bringing some of these things out
22 in the report out of which an investigation might flow.
23 As we know, certain things that have happened here have
24 already had action from the Attorney General's Depart-
25 ment, although we didn't do anything to bring that
26 about as a Committee. It was brought about partially
27 by Mr. Lawrence feeling that he should bring these
28 things to the attention of the Attorney General. Whether
29 it is the Committee's function --

30 MR. MacDONALD: Mr. Chairman, let me



1 put this in specific terms. I will move that you, as
2 Chairman of the Committee, submit this brief to the
3 Attorney General's Department, with the suggestion that
4 the Committee feels that there are obvious areas of
5 investigation beyond our terms of reference, and that
6 we would appreciate his consideration of an investigation
7 into that area beyond our terms of reference. And you
8 can use the phraseology of Mr. Lawrence and maybe he
9 will second the motion.

10 MR. LAWRENCE: I will be glad to
11 second it. The difficulty here, Mr. Chairman, is that we
12 -- as far as the mortgage field is concerned -- we had
13 an agency or officials already in the government who
14 are aware of the problem, at least there was a focal
15 point. I mean, if I had complaints I sent them to
16 Simone. I had no right to investigate some of these
17 things any more than the Committee has or you have or
18 any member of the government. But here, as far as I
19 know, there is no individual or agency of the Department
20 that is investigating.

21 MR. MacDONALD: In fact the agency
22 that conceivably might investigate it, I would think, is
23 the Department of Transport which is giving great garage
24 A licences, and it strikes me that this is really ludi-
25 crous. You are giving 1,200 licences and only 200 of
26 them are for lots. The other thousand are, in some
27 instances, without even a place of address, other than
28 the Ford Hotel -- at least the witness testifies to this
29 in this one instance.

30 MR. LAWRENCE: I don't think we should



1 necessarily condemn -- I hope I am not going to be
2 accused of playing politics here -- condemn the Depart-
3 ment of Transport for the issuance of these licences
4 until we at least have some representation from the
5 Minister or somebody as to the purpose of the thing.
6 I mean there may be -- it looks pretty darn suspicious,
7 I agree with you -- but there may be some other reason
8 why these things are issued in this manner. But
9 certainly we have all had instances of used car
10 dealers, certainly in the City of Toronto, where there
11 has been fraud involved. As a matter of fact, I almost
12 -- it's against the criminal code, I know, -- but I
13 almost had threatened a dealer here not too long ago
14 of a prosecution under the Code -- theft by conversion.
15 It had reached that stage. I'm sure it is within
16 the experience of other members here too. I think
17 the matter is important enough to bring it to the
18 government's attention right away, especially this
19 very good brief we have had.

20 THE CHAIRMAN: What do the other
21 members of the Committee feel about this?

22 MR. HAMILTON: Mr. Chairman, it
23 seems to me that -- presented this brief, we show it
24 to the Attorney General -- that beginning with one
25 commodity that is sold under these terms in the Province
26 of Ontario. It seems to me that this could become a
27 very broad thing reaching other commodities sold through
28 the medium of financing -- stoves, televisions, refrig-
29 erators, anything that's bought through financing --
30 so we must take into consideration that the investi-



1 gation might become so broad that we reach into the
2 very lives of every resident of the Province of
3 Ontario who has ever financed a commodity. This has
4 to be done in a legitimate matter and probably it
5 calls for new terms of reference for the Committee
6 itself in dealing with the matter.

7 MR. LAWRENCE: Well, I don't know
8 if we are equipped, are we really, to take evidence
9 and things like that? Are we equipped to sort of sit
10 as a judge in things like this and have a high-priced
11 Counsel appear before us and argue rules of evidence?
12 I don't think we are.

13 MR. SEDGWICK: (Sentence inaudible)

14 MR. MacDONALD: Mr. Chairman, on
15 Mr. Hamilton's point, I think his point is valid, this
16 may go beyond, indeed. Two cases I would like to have
17 the Committee look at -- resume dealing with that
18 home improvement one and now selling of household
19 furnishings like vacuum cleaners and so on. I think
20 you have got the same problem in relation to your
21 finance companies, but it seems to me if you limit it
22 to the car dealers you will get some recommendations
23 which we then can consider and in our final recommend-
24 ations say, "This problem goes beyond the car dealers
25 and we think the recommendations made about the car
26 industry should be applied elsewhere".

27 THE CHAIRMAN: Well, I think what
28 we will do is, if we can defer this motion, we will
29 continue on with the questioning and then we will
30 deal with this motion before we adjourn.



1 MR. MacDONALD: Well, I have a
2 few brief questions I would like to pursue then, if
3 we can get back to the consumer credit aspect of this
4 representation. Do I take it then that you feel that
5 a declaration of interest rates is a feasibility, is
6 a feasible proposition?

7 MR. DAVIDSON: I do feel that it's
8 feasible. I don't think that it's particularly
9 attractive in this sense, that once you get into this
10 type of thing, in dealing at the point of sale, the
11 point has been made many times here before, that the
12 customer and even sometimes the salesman is not
13 particularly well equipped to understand what the
14 percentage rate of interest really implies. And from
15 this standpoint alone, disclosing the percentage rate
16 of interest, while I can't see any harm in it I also
17 don't see that it's going to accomplish a great deal.

18 MR. MacDONALD: Well, this is an
19 old question. I just wanted to clear it.

20 The other point that I wanted to
21 raise with you is, what is your view on this business
22 of kick-backs on finance charges to the car dealers
23 from the finance company? We had a preliminary round
24 of discussing this with GMAC yesterday.

25 MR. DAVIDSON: Let's put it this
26 way, Mr. MacDonald. I feel that the conditions under
27 which we are now selling cars are such that very few
28 dealers, particularly in the new car field, more so
29 than used, very few dealers would be able to continue
30 operations on the basis of the discounts that they are



1 giving away on cars, without some type of compensation
2 from the finance company. Another thing that has a
3 bearing on it is the fact that finance companies seek
4 out the dealer for his business if he does the type
5 of business they want and they try and make it as
6 attractive as possible to the dealer and certainly any
7 dealer would be foolhardy to say, "We just don't want
8 to make any more money".

9 MR. MacDONALD: In other words,
10 to deal in the specific terms of the figures given
11 to us yesterday, there was something like 5 3/4%
12 discount but there was anywhere from a quarter -- on
13 \$50,000 sales -- to two and a quarter percent rebate
14 over a million dollars. So that, in effect, it
15 increases your -- reduces your discount 5 3/4 down to
16 5 1/2 or down to 3 1/2 by these kick-backs. It still
17 doesn't relieve us of a problem you have stressed and
18 that is the extent to which the dealer, in effect,
19 becomes the victim of the finance company, or a pawn
20 of the finance company, under the control of the finance
21 company. This is one way in which they are kept under
22 control. Wouldn't it be better to say that you give
23 a more generous discount and get rid of the kick-back
24 because the kick-back is a means of capturing the
25 dealer and holding him?

26 MR. DAVIDSON: Well, it's difficult
27 for me to answer that. There is a great deal of free
28 enterprise in the sense of finance companies are
29 looking for business continually and that, in itself,
30 their very need for business from dealers keeps things



1 on a plane where the dealer is not really held in the
2 finance company's power. He has the choice of changing
3 affiliations.

4 MR. MacDONALD: I take it then that
5 used car dealers get kick-backs too?

6 MR. DAVIDSON: Surely.

7 MR. THOMPSON: And rightly so, Mr.
8 MacDonald, because one thing we have to keep in mind
9 is this, that every time we finance a car we endorse
10 the purchaser's note. We are liable to the finance
11 company for any deficiency on it.

12 MR. MacDONALD: Except that Mr.
13 Sedgwick pointed out yesterday that the Committee
14 report from Britain investigating this has come down
15 pretty solidly against the kick-back as an invidious
16 procedure.

17 MR. IRWIN: I would like to just
18 make some comments on this area, Mr. MacDonald and Mr.
19 Davidson. I have had some considerable experience in
20 dealing with car dealers and I have seen this partici-
21 pating discount actually, rather than a kick-back, but
22 I have seen this participating discount in action and
23 I have never seen anything particularly objectionable
24 in it. The dealer does perform some service for it,
25 that's number one. Number two, a substantial portion
26 of it is kept back from the dealer as a reserve against
27 bad accounts so that he is joining with the finance
28 company in the underwriting of this contract.

29 MR. LAWRENCE: Is this by law or
30 by tradition?



1 MR. IRWIN: I don't know whether it
2 is by law or whether it is by tradition and practice.
3 And the other point which Mr. Davidson mentioned is
4 that it is a fact -- now whether this is good or bad
5 I don't know -- but it is a fact that a great number
6 of dealers have been kept in business to a large
7 extent by this participating discount and insofar as
8 their profit is, to a large extent, derived from this
9 participating discount, I think it follows that the
10 price of the car must have been reduced to the consumer.
11 In other words he is making his profit out of his
12 participation with the finance company in the financing
13 and therefore he is, in many cases, selling the car at
14 cost. That is the cost that he pays to the manufacturer
15 plus his operating expenses. I haven't seen any
16 indication of abuse arising from the use of the
17 participating discount. And insofar as the result of
18 it all, competition has been that the price of the car
19 to the consumer has gone down, so I presume that the
20 consumer is benefitting.

21 MR. MacDONALD: Well I have no hard
22 and fast views on this stage of it. I must say it's
23 getting a few facts to build my own case on.

24 MR. SANDERCOCK: Well, I go along
25 with the other members here, this is a brief that will
26 -- these men were bold enough to write this and they
27 deserve a lot of credit.

28 MR. NODER: I would just like to
29 speak to Mr. Irwin. When you were referring to the
30 hold-back, this hold-back, of course, is money that



1 actually belongs to the dealer and it is paid to him
2 at a later date?

3 MR. IRWIN: Yes, that is correct.

4 MR. NODER: And to take care of
5 any debts that might arise, that would be charged
6 against this hold-back?

7 MR. IRWIN: Yes. But as I say, I
8 have never -- perhaps I have been fortunate in not
9 being exposed to the shady area or perimeter of the
10 car business, but I have never seen any abuse of it
11 that I could see, in the cases of respectable and
12 legitimate car operations. But I recognize it could
13 be on the perimeter of operations. But by and large
14 it seems to work very satisfactorily and I think there
15 is justification for it.

16 MR. HAMILTON: Well I would just
17 like to express my commendation for the type of brief
18 you have presented. I am rather happy, Mr. Davidson,
19 that you say that it is most apt to be in metropolitan
20 areas. I hope we don't have this type of thing down
21 in our Ottawa Valley.

22 MR. LETHERBY: I would like to join
23 all my colleagues in regards to these gentlemen and
24 their very bold and excellent brief. We have had so
25 many good briefs in the last few days. I can't find
26 too much fault with it, but you really threw a bomb-
27 shell at us this morning in your submission. I had
28 hoped that perhaps the Committee would have enough time
29 to sit before the legislature and smoke out some of
30 these shyster members of your association and get them



1 in here, but --

2 MR. DAVIDSON: Our members are not
3 shysters. (Laughter).

4 MR. LETHERBY: Those who are engaged
5 in your same type of work. But apparently we won't.
6 I am leaning very heavily to the view of Mr. MacDonald
7 and Mr. Lawrence that there ought to be some action
8 taken in the period between now and when we will sit
9 again.

10 I have told this story here before,
11 Mr. Davidson. This occurred to one of my friends and
12 neighbours a few months ago. A large used car, a new
13 and used car, dealer in Barrie was advertising new
14 cars -- I forget now what the exact price was, let's
15 say \$3,000 -- and this man had a fairly good car but
16 he was retired and had the means and he went down to
17 take them up on this offer. So he went down and liked
18 the car and said, "Sure, I'll take that. How much is
19 it?" Well, we will say \$3,000. He pulls a cheque out
20 but they wouldn't take it. They said, "No, this is only
21 for financing". So he swore and tore up the cheque and
22 there was a fight. I was wondering, now, if that sort
23 of action in the new and used car business should be
24 condoned and not exposed. Some of those beggars are not
25 put on the griddle, or talked about, or publicized.

26 MR. MacDONALD: Well, Mr. Chairman,
27 Mr. Irwin has now explained --

28 MR. LETHERBY: Yes, but my point is
29 all these agents are driving people into the credit
30 business. Finance. Finance. You can't get away from



1 it. However, I do think yours is a very excellent
2 brief and I congratulate you.

3 THE CHAIRMAN: Mr. Sedgwick would
4 like to ask another question.

5 MR. SEDGWICK: On page 8, at the
6 top of the page, paragraph 5, "We suggest a central
7 system of lien registration". I may tell you that some
8 33 years ago I devoted a great deal of time to the
9 question. I was (inaudible) at the time and I still
10 think it is being attempted. But I can also tell
11 you that in something over 30 years no one has come
12 up with a solution. If you have one it might be helpful.
13 You see, the real difficulty is they are registered
14 now on a county basis. And you are quite right that
15 with so few of them it isn't very helpful if you reside
16 in the County of France to find that the lien is in
17 the County of York. It's a practical difficulty which
18 no one seems to have been able to overcome. If you
19 buy a car in Port Arthur and you have to search in
20 Toronto in some Central Registry, it would take so
21 long and be so time-consuming --

22 MR. LAWRENCE: That was before the
23 punch card system.

24 MR. SEDGWICK: It may be, Mr.
25 Lawrence, that it would work today -- but it would
26 mean, of course, that there would have to be a completely
27 new registry established here and I assume the County
28 registry system would continue. At least my suggestion
29 years ago was that they could be registered in the
30 County, as now, and a copy sent to Central Registration



1 and then the Central Registry would collate them so
2 that you could make a central search. Now this has
3 never been done and my understanding is that it was
4 opposed by most of the people who deal with paper and
5 so on.

6 MR. DAVIDSON: I can't imagine why.
7 I might point out, Mr. Sedgwick, that when you referred
8 to the higher purchase agreements in England, I think
9 that you will find, if I am not incorrect, that the
10 English system of registration makes it mandatory that
11 title to the car goes with the car and records every
12 instance of borrowing against it.

13 MR. SEDGWICK: Of course they have
14 a permanent licensing system which makes it a little
15 easier.

16 MR. LETHERBY: We are starting that.

17 MR. SEDGWICK: Yes. Well, when we have
18 it it may be simpler. You get the same plates year
19 after year and the car acquires a district. One of
20 the troubles here is that you get a new set of plates
21 every year and it is difficult to trace the history.

22 MR. DAVIDSON: Mr. Sedgwick, could
23 I interject here for a moment. Having looked at this
24 system of central registering in British Columbia, where
25 you say it comes into the Counties, you know -- they
26 showed us down there the day we looked in on their
27 system, their machine system now, that in a ten minute
28 telephone call, they had such an elaborate system they
29 could give you all the details of the registered
30 article. Just a phone call.



1 MR. SEDGWICK: Don't misunderstand
2 me. I thought 33 years ago it should have been done
3 and I still think so.

4 MR. IRWIN: I can't understand why
5 we haven't proceeded --

6 MR. SEDGWICK: I don't know why.

7 MR. DAVIDSON: Neither do we.

8 MR. SEDGWICK: It's my recollection
9 at that time that car dealers were most vigorous in
10 opposition. If you speak for car dealers in the
11 Province, do you welcome a central registration?

12 MR. DAVIDSON: I think it would be
13 universally acceptable.

14 MR. SEDGWICK: It makes sense.

15 MR. DAVIDSON: Certainly, certainly.

16 MR. IRWIN: One word on that. I
17 quite agree that a central computer centre with a
18 teletype network the situation could be solved as soon
19 as the installations could be made.

20 MR. LETHERBY: I think we should go
21 back to the Legislature and hammer away until the
22 report is in and the bill is introduced.

23 MR. MacDONALD: The bill was intro-
24 duced and one member opposed it and everybody took
25 fright at that.

26 MR. LETHERBY: Who was that?

27 MR. MacDONALD: Myers opposed it.

28 MR. LETHERBY: Yes and he never
29 attended any meetings. He had to stay at home and look
30 after his wife. (Laughter)



1 He never took any of these trips. He didn't see
2 anything. We did all the walking. (Laughter)

3 THE CHAIRMAN: Are there any other
4 questions?

5 Well, we appreciate both Mr. David-
6 son and Mr. Thompson being with us this morning and
7 presenting us with, I think, one of the very best
8 briefs we have had and as you have heard has given us
9 food for thought here, and some action may flow from
10 the Committee and a result of your brief much faster
11 than would be the case ordinarily. We appreciate the
12 excellent brief you presented to us and thank you for
13 making yourselves available to the Committee.

14 Now, gentlemen, I will ask Mrs. Dell
15 to read the motion suggested by Mr. MacDonald and
16 seconded by Mr. Lawrence.

17 MRS. DELL: I move that the Chairman
18 of the Committee submit this brief to the Attorney
19 General's Department with the suggestion that the
20 Committee feels that there are obvious areas of
21 investigation beyond our terms of reference and that
22 we would appreciate his consideration of an investi-
23 gation of those areas beyond our terms of reference.
24 I think that's it, Mr. Chairman.

25 THE CHAIRMAN: Anyone wish to --

26 MR. MacDONALD: Well, you might, in
27 a covering letter -- it diverges to this extent, that
28 if the investigation can be set up as quickly as it
29 did in the previous instance I cited, we might have a
30 report by the time we resume in May.



1 MR. HAMILTON: But this isn't in
2 our terms of reference.

3 MR. MacDONALD: To suggest this?
4 Sure.

5 MR. HAMILTON: Are we not liable,
6 Mr. Chairman -- this is only for clarification in my
7 own mind -- are we not liable for our reports to go
8 to the Legislature rather than to anyone, any Minister
9 of the Crown at any interim time. I mean, you can hand
10 over a report that might be presented to this Committee
11 on a personal basis and they might --

12 THE CHAIRMAN: Well, we haven't,
13 as a Committee, given any consideration to an interim
14 report as yet. This is something quite different
15 and I think quite within the -- not exactly within
16 our terms of reference but something which we certainly
17 are entitled to do if we feel this way.

18 MR. LAWRENCE: If not collectively
19 then individually.

20 MR. SANDERCOCK: We wouldn't be a
21 little early in our procedures would we?

22 THE CHAIRMAN: This doesn't in any
23 way limit our report or restrict the Committee in any
24 way, shape or form. It's a matter of urgency. If it's
25 the feeling of the Committee that some action should be
26 taken before -- it may be a very long time before we
27 bring our report down -- then I certainly concur in
28 this motion.

29 MR. LAWRENCE: As I said to Mr.
30 MacDonald, you are not incurring the threat of being



1 told that you are playing politics, are you?

2 MR. MacDONALD: On the contrary.

3 THE CHAIRMAN: In view of the two
4 gentlemen who have combined here today, I don't think
5 there is any question that we are playing politics
6 with them. I would ask Mr. Sedgwick for his comments.

7 MR. SEDGWICK: I don't see anything
8 wrong with sending it out to the Attorney General, with
9 a covering letter like this, addressed to the
10 Attorney General: 'This Committee had presented to it
11 today a brief of the Federation of Automobile
12 Independents -- whatever they are -- FAIR -- which
13 sets out boldly matters of great public importance,
14 some of which are, however, outside the Committee's
15 terms of reference. I refer particularly to the
16 heading 'Provincial Licensing' and under that add
17 the last paragraph on page 3 and page 4 commencing
18 with the words, "Why bring up licensing to this
19 Committee? The answer lies," etc., down pretty well
20 to the end of page 4. Then the letter continues ...
21 Following the presentation of this brief the Committee
22 passed this resolution, and then quote the resolution
23 and that's all.

24 THE CHAIRMAN: Would you like to
25 send a copy of that letter and the brief to the
26 Minister of Transport in Ottawa?

27 MR. SEDGWICK: All right.

28 THE CHAIRMAN: Well, I would certainly
29 instruct, on behalf of the Committee and Mr.
30 Sedgwick, to draft a letter and to make the Department



1 of Transport and the Attorney General's Department
2 aware of the motion which I will now put to the
3 Committee. All those in favour of the motion? I
4 declare the motion carried.

5 Gentlemen, we will reconvene at
6 two o'clock in the same place.

7 ---LUNCHEON ADJOURNMENT.

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1 ---ON RESUMING AT 2:00 P.M., DECEMBER 5, 1963.

2 THE CHAIRMAN: We now have a quorum.
3 We will be hearing this afternoon from Mr. F. M. Howard,
4 Chairman of the engineering department of Frigidaire
5 Products, on behalf of the Ontario Chamber of Commerce.
6 Along with Mr. Howard we have Mr. W. J. Dickson,
7 Consumer Credit General Manager of the Bank of Nova
8 Scotia and Mr. E. M. Howerth, Executive Vice-President
9 of the Confederated Council of Sales Finance Companies
10 and Mr. J. L. Warren, Regional Sales Manager of
11 () Acceptance Corporation and Mr. Nels Liston,
12 General Credit Manager of Simpson-Sear's and Mr.
13 D. J. Atterby, Manager of the Ontario Chamber of
14 Commerce and J. A. Collins, Assistant Manager of the
15 Ontario Chamber of Commerce. Some of these gentlemen
16 are pretty well known to us, they have been here
17 before, but we are glad to see them back again.
18 Oh, I'm sorry. We have also Mr. R. H. McKenzie,
19 Public Relations Department of Household Finance. Mr.
20 McKenzie has been here on other occasions too.

21 We have your prepared brief. Do you
22 intend to read it to us? So we will ask you to read
23 that, Mr. Howard.

24 MR. HOWARD: Mr. Chairman, my name
25 is F. H. Howard. I'm a Director of the Ontario
26 Chamber of Commerce.

27 "The Ontario Chamber of Commerce is
28 the voluntary federation of 242 autonomous Boards of
29 Trade and Chambers of Commerce throughout the Province.
30 Each of these has one vote at the Annual Meeting where



1 Policy is declared, and each in turn represents commer-
2 cial, industrial and mercantile interests in its
3 respective town. Each Chamber has memberships ranging
4 from one-man businesses to large employers, and the
5 Ontario Chamber therefore represents over 50,000
6 individual and corporate members.

7 "Among its general objectives are the
8 protection of our democratic principles; preservation
9 and advancement of our economic system, based on
10 private initiative and individual enterprise; mainten-
11 ance of fair relations among labour, management, capital
12 and the consumer; development and presentation of an
13 informed public opinion concerning these matters; and
14 the encouragement of effective action by the Government
15 of the Province and member chambers.

16 "Among its basic philosophies,
17 reaffirmed at the last Annual Meeting and representing
18 the considered opinions of these 50,000 members of the
19 Ontario business community, are the following:

20 a. The Chamber believes in free
21 competitive enterprise, and is opposed to any form of
22 government whose doctrine attacks, limits or destroys
23 basic freedoms.

24 b. It believes in an economic system
25 based on private initiative and individual enterprise.

26 c. It is opposed to controls other
27 than those which are clearly and demonstrably necessary
28 to protect the public.

29 "The following brief has been drawn
30 up by a standing committee of the Chamber, augmented



1 for the purpose of acquainting itself with the subject
2 matter covered by the Select Committee's terms of
3 reference. It has been approved by our Board of
4 Directors as representing the view of the Chamber. At
5 the same time, opinions were solicited from Member
6 Chambers, and no disagreeing opinions have been returned.

7 "The Chamber believes that the pro-
8 vision of consumer credit, either in the form of funds
9 advanced to a borrower, or in the form of delayed payment
10 for goods or services, is in response to the demands
11 of the consuming public, and is therefore an accepted
12 and economically sound form of business enterprise.

13 "Credit is an essential component of
14 the business complex, whether conducted by Government,
15 trade, or person. Without it, much business activity
16 would cease, and much more would slow down. The
17 supplying of consumer credit in particular is an important
18 contribution to the conduct of a healthy economy in that
19 it accelerates the pace of retail trade and commerce,
20 and thereby adds to the prosperity of the entire
21 community.

22 "The Chamber cautions against the
23 irresponsible use of the term 'too much credit', in view
24 of the acceleration derived from free access to and
25 supply of that valuable device.

26 "Many legitimate and honourable
27 enterprises engage and compete in the supply of consumer
28 credit in its numerous forms, and the Chamber contends
29 that these enterprises are as entitled to respect and
30 freedom from harassment as any other responsible free



1 enterprise institution. The Select Committee will
2 undoubtedly acknowledge that most of the participants
3 in consumer credit serve the customer well.

4 "The buyer of credit, like the buyer
5 of any other commodity in a free market, is protected
6 against exploitation or injury by the laws of that
7 market place. He is further protected by a number of
8 laws enacted by this and other Legislatures from time
9 to time in their wisdom. Perhaps most important, he is
10 protected by the employment of his native intelligence
11 and other emotional and intellectual qualities, against
12 buying something he does not want.

13 "The Chamber holds that consumer
14 credit, unlike certain public utilities, is not a
15 natural monopoly and should not, categorically, come
16 under any greater regulation than any other business in
17 which there is a number of participants, competing
18 openly. The profit that can be made is whatever the
19 competitor will allow, and the charges that must be made
20 should recognize risk, interest, and service.

21 "The Chamber is aware that creditors
22 can call upon certain sources of information as to the
23 credit standing of prospective customers, but calls
24 attention to the paradox that creditors, when entering
25 into an agreement to extend credit, have no statutory
26 recourse or protection against the customer who has not
27 disclosed his true status or ability to repay.

28 "The Chamber, as the Select Committee
29 is undoubtedly aware, often is involved with activities
30 of a 'better business' nature - a fact which will testify



1 to the following: That we do not support any business
2 activity which is not operated on a completely moral and
3 ethical base, nor do we support any business which
4 contemplates victimization as a by-product or any form
5 of misrepresentation, deception or deviousness as an
6 ingredient of its operation. Such businesses bring
7 discredit to free competitive enterprise, and are anathema
8 to the Chamber.

9 "Regardless of the protective features
10 of the free market place, and regardless of the patent
11 requirement that a customer apply the same intelligence
12 to the purchase of credit that he applies to any other
13 purchase, the Chamber is conscious of a feeling of
14 concern in some quarters that further protection seems
15 to be required. Such protection ought to be directed to
16 correct the questionable operations of the small fringe
17 area that has brought criticism on the whole business.
18 The Chamber, therefore, wishes to add its efforts to the
19 formulation of this protection, to the end that integrity
20 must not only be possessed, it must be seen to be posses-
21 sed. By so doing, it is hoped that the reputation of
22 free enterprise generally, will be enhanced.

23 "The Chamber advocates disclosure of
24 each charge, and of total charges, in dollars, for
25 borrowing money or for owing money. This information
26 should be presented automatically and without specific
27 request, in some form appropriate to the business.
28 Dollars are the unit of measurement that make most sense
29 to reasonable individual consumers, and the full dis-
30 closure of the dollar cost of credit is current practice



1 among responsible credit grantors.

2 "The Chamber is convinced that charges
3 cannot be expressed as a simple annual percentage rate,
4 and still yield the information the consumer can
5 comprehend, except in the case of real estate mortgages,
6 where the interest rate can be compared to competitive
7 rates without leaving the area of widely-understood
8 financial terminology.

9 "Percentage rates for consumer credit
10 are subject to different interpretation even by persons
11 qualified in this particular field, and they are
12 capable of easy manipulation. The Chamber is not
13 persuaded that the consumer is familiar with percentages,
14 nor even that he is always interested in percentages.
15 It does point out that regulations already exist both
16 federally and provincially in legislation. The Chamber
17 is persuaded that disclosure of credit charges, as a
18 percentage, would rarely serve the interest of the
19 consumer, in that prices can be manipulated to hide the
20 true cost of credit.

21 "There are computational difficulties
22 in the case of revolving credit plans of the large re-
23 tailers, and similar difficulties exist in credit plans
24 offered to teachers, farmers, and others who receive
25 income on a seasonal basis.

26 "The Chamber also foresees that smal-
27 ler business would be injured by over-strict application
28 of any protective technicalities to areas of consumer
29 credit that are known not to be violators of honourable
30 business codes. This refers to onerous calculations and



1 pro forma.

2 "In conclusion, Mr. Chairman, the
3 Chamber will support measures designed to encourage the
4 operation of ethical, responsible enterprises, and
5 simultaneously discourage or even remove those that are
6 not grounded on these precepts. Similarly the Chamber
7 will support any measure which will raise the esteem in
8 which the people of Ontario hold free competitive enter-
9 prise, with due regard to the belief that legitimate
10 business enterprise must not be harassed.

11 "It is respectfully submitted that
12 such measures can be determined only after the most
13 careful and objective deliberations. Hasty or ill-
14 conceived legislation could have disastrous effects upon
15 the highly industrialized economy of Ontario. With
16 greatest respect, extreme care should be exercised to
17 ensure that Ontario remains the 'Province of Opportunity'.

18 That concludes our brief, Mr.
19 Chairman.

20 THE CHAIRMAN: Thank you very much,
21 Mr. Howard, for your presentation of your brief. Now
22 I think our Counsel and C.A. may have a few questions
23 to ask and some of the members of the Committee may have
24 questions.

25 MR. SEDGWICK: Mr. Chairman, I do
26 not really have any questions. I take it, Mr. Howard,
27 that the gist of your brief is first, the full dis-
28 closure and that the sensible way to make that disclosure
29 is in dollars?

30 MR. HOWARD: That is correct, sir.



1 MR. SEDGWICK: Some other members
2 of the Committee may disagree with you, but as I don't
3 they had better ask the questions.

4 THE CHAIRMAN: Mr. Irwin?

5 MR. IRWIN: Yes, Mr. Chairman, I have
6 a couple of questions but before I put the questions I
7 would also like to make an observation or two. In the
8 brief you have brought forward some of the basic
9 arguments that have been presented in another form by
10 other people regarding the technicalities connected with
11 the calculation of a rate of interest and perhaps some
12 of the difficulties and disadvantages of having interest
13 expressed as a rate percent. Most of these arguments
14 have been heard before and debated at some length by
15 this Committee and therefore I don't propose to
16 suggest that we get entangled with that again. No useful
17 purpose would, perhaps, be served by it.

18 There are a couple of matters arising
19 out of your brief specifically which I think open new
20 ground. One is, your brief is, perhaps, more on a
21 philosophical plane than others have been and perhaps
22 dealing with the economic effects and it is in those
23 areas that my questions would be directed.

24 Thinking in these terms which, I
25 think, you would endorse, that the function of govern-
26 ment is mainly to safeguard the public interest. Not
27 only in particular cases and instances but to protect
28 the economy in the general field as a whole. On the
29 other hand I am told that it is generally held that each
30 man or business should be the one best equipped to judge



1 how he should conduct his business, provided he doesn't
2 have any harmful effects on the community or a particular
3 individual.

4 So leaving aside the question of the
5 mechanical and actuarial difficulties that may be
6 encountered in arriving at a means of declaring the
7 cost of money as a rate percent per annum, I think there
8 are a couple of areas that haven't been explored.
9 Supposing that it could be found that it was possible
10 to develop a convenient method of disclosing the cost
11 of money as a rate percentage, and supposing that it
12 was found legislatively possible to make such legis-
13 lation in understandable terms. I wonder, and have
14 been wondering throughout the hearing of other briefs
15 if the reasons advanced against disclosure were the
16 real reasons because most of these apparent difficulties,
17 I believe, could be resolved in terms of mathematics
18 and a method of disclosure. But I wonder if there is
19 not a fear that if, particularly in the case of the
20 sales finance contract, the instalment contract, arising
21 out of the purchase of good, that if such disclosure
22 were made it might have a bad psychological effect upon
23 the buyer that he might be thereby discouraged from
24 buying on credit and if he did so this would have a
25 depressing effect on the economy and in the long run,
26 therefore, be harmful to the consumer in the loss of
27 jobs, employment, wages, etc.

28 That's one area. I also would like
29 your views on whether or not such disclosure in terms of
30 rate percent per annum might have the effect of trans-



1 ferring a substantial volume of credit granting from
2 one institution to another, for example, from the
3 sales finance company to the lender of money ~~itself~~?
4 And this would result in a shift in the economy perhaps
5 with at least unforeseen effects, possibly harmful.
6 So my questions therefore are, have you any comments on
7 those two thoughts, that (a) the disclosure, assuming
8 that it can be done reasonable, would the disclosure
9 in itself have a possible depressing effect on credit
10 buying and therefore on the economy and (b) would such
11 disclosure result in a shift in the pattern of the grant-
12 ing of consumer credit and what results might ensue
13 therefrom?

14 MR. HOWARD: The Chamber has not
15 applied itself, or the committee of the Chamber has not
16 applied itself specifically to either of these two
17 questions. The first question, if by some mathematical
18 formula the cost could be expressed in some other units
19 of measurement than dollars, and such measurement could
20 be comprehended as well as understood in the literal
21 sense, could be comprehended by the prospective customer,
22 I don't think the Ontario Chamber of Commerce, as a
23 matter of principle, has any fundamental objection to
24 that. We are not convinced that this can be done or
25 even that it ought to be done, sir, but purely on
26 philosophical grounds, this does not say that we think
27 it must not be done. We have not been persuaded or
28 convinced that it could be done and we tend to hold the
29 opinion that there is nothing to be gained by so doing.
30 We have used the analogy from other fields in our



1 conversations sometimes that there are certain units
2 of measurement in all commodities that people buy that
3 can be stated as facts in describing those commodities
4 but which are beyond the normal day to day terms used
5 by the buyers. Such terms as, perhaps, pressure in
6 automobile tires -- that's a technical term -- it is
7 what it says it is, but it's perhaps not paid much
8 attention to by the prospective buyer unless he is
9 technically informed. We have been -- at least it has
10 been brought to our attention and we have been persuaded
11 that pure percentage is the unit of measurement that is
12 extremely difficult to put down and still represent
13 comprehensively the terms of the transaction, especially
14 if that's all there is there and there is no mention
15 of dollars at all. But speaking as a philosophical
16 body and if some mathematical means could be developed
17 and approved and demonstrated as being acceptable to
18 the professional critics, the Chamber of Commerce, I
19 think, would say that if this is in tune with the
20 ethos of the people of the Province, then we would have
21 no fundamental objection to its use as a principle.

22 Now the second question you asked
23 about shifting credit from one source to another. This
24 has even less been thought about and I think I can
25 answer that one much more easily in that the Chamber
26 is not, per se, concerned with the division of credit
27 among one source or another. What you say may very well
28 be true and there is certainly no fear in Chamber circles
29 that there is anything wrong with it if it did happen.
30 As long as both parties are ethical and responsible



1 members of the community.

2 MR. IRWIN: Thank you, Mr. Howard.

3 I am disappointed to this extent, that a great deal
4 of thought by almost all people who have come before
5 this Committee has been devoted to these technical
6 questions. Can a rate be calculated? Without giving
7 an opinion on that I think possibly it could and it
8 seems to me that this concentration on the pure
9 technicalities of the matter may be missing the main
10 boat, as it were, and I had rather hoped, because of
11 the philosophical cast of your brief, that some thought
12 had been given to the economic possibilities, the
13 results that might ensue from requiring it. I can
14 perceive, myself, quite a number of things that might
15 ensue as a result of this disclosure and they could be
16 adverse to the economy and I thought maybe you might
17 have given some considerable thought to that. I won't
18 pursue that any further.

19 The other question is whether there
20 might be a shift in the sources of credit granting.
21 Also I can imagine this could have some significant
22 effect on the economy, at least, in effect, if you pass
23 legislation to take business from one source and give
24 it to another, I think you are directly intervening in
25 the free market as you emphasized. And I thought perhaps
26 you had also given some thought to that possibility.

27 MR. HOWARD: Well, sir, both of the
28 things you say may very possibly be true. It's just
29 that we simply have not applied ourselves to those
30 questions.



1 MR. IRWIN: Thank you very much.

2 That's all the questions I have.

3 THE CHAIRMAN: Mr. Lawrence?

4 MR. LAWRENCE: While I appreciate
5 that the Chamber couldn't cover all of the subjects that
6 come before this Committee -- in your philopical
7 approach you -- there is one sentence here, page 5,
8 "The Chamber will support measures designed to encourage
9 the operation of ethical, responsible enterprises, and
10 simultaneously discourage or even remove those that are
11 not grounded on these precepts." I was wondering if
12 your sub-section or committee has dealt with the problem
13 of secret income of people in the business field. Both
14 the lawyers and politicians seem to be hearing a great
15 deal about conflict of interest and we have had a
16 couple of segments of our business community come before
17 us and indicate in no uncertain fashion that where
18 people are attempting to act for one party or another in
19 their business dealings there has been a secret income
20 received by one guy or another and this has not been
21 exposed to the other party. For instance, mortgage
22 brokers quite often receive a finder's fee. Yesterday
23 and today we heard a little bit about automobile dealers
24 getting kick-backs -- I forget the long-winded name for
25 it, but that's what it boils down to, kick-backs, from
26 finance companies, for placing a contract with that
27 particular finance company. Has your committee ever
28 attempted to step in to this aspect of business --

29 MR. HOWARD: Well, by stepping in
30 do you mean contemplating the thing or actively investi-



1 gating it?

2 MR. LAWRENCE: Investigating it and
3 following through with what you said here. Do you
4 regard this as a bad thing first of all?

5 MR. HOWARD: No.

6 MR. LAWRENCE: If you do regard it
7 as a bad thing,"discourage or even remove those that are
8 not grounded on these precepts". Somebody has got to
9 give guidance these days. If it isn't government then
10 it's got to be bodies like yourselves.

11 MR. HOWARD: Well, I am afraid that
12 the thing you read perhaps leads you to believe that
13 the Chamber will discourage. Actually it should be
14 read that the Chamber will support measures designed
15 to discourage.

16 MR. LAWRENCE: I see.

17 MR. HOWARD: Perhaps I should have
18 put the word "to" in after simultaneously. It's poor
19 English.

20 MR. LAWRENCE: Do you feel this is
21 the role of government?

22 MR. HOWARD: The Chamber categorically
23 wants no part of inferior morality at all. We are not
24 prepared, I don't think, at the moment, to define
25 precisely areas of doubtful morality because I'm certainly
26 not an expert. Once again, we have not applied ourselves
27 to case histories of hypothetical, doubtful morality.
28 We represent so many different kinds of people and we
29 don't know the respective moralities of each area of
30 business.



1 MR. LAWRENCE: I don't want to put
2 you or the Chamber or even the Committee on the spot
3 at all but it does seem to me that on the one hand you
4 come along and preach the gospel of less interference
5 by government and I agree with that gospel. But
6 somebody has got to encourage morality in the business
7 field and what better group should it be than the
8 Chamber of Commerce.

9 MR. HOWARD: Well, I certainly would
10 agree, without reservation, with that statement. We
11 have a Business Practices Committee. This happens
12 to be the Business Practices Committee that has under-
13 taken this and we do look over, in a general way,
14 doubtful business practices. We don't have power to
15 discourage or remove, this simply isn't the way we
16 operate. We don't fire people.

17 MR. LAWRENCE: No, but you do
18 publicize.

19 MR. HOWARD: Yes. We have a better
20 business activity and we have policy statements on
21 morality in business. I hope you would be content
22 if I were to say that if there is some operation of a
23 business that citizens think in this year, 1963, is
24 immoral or of doubtful morality, we would tend to
25 discourage that operation, but I would not care to
26 pass an opinion on any specific business.

27 MR. LAWRENCE: The Chamber as such,
28 have they ever considered this business of secret
29 commissions or secret --

30 MR. HOWARD: Not to my knowledge



1 the Chamber never has, not to my knowledge, Mr. Lawrence.

2 THE CHAIRMAN: Mr. Irwin?

3 MR. IRWIN: I would just like to add
4 a word here. It's a personal word that might have some
5 bearing on what you are describing, Mr. Lawrence. As
6 a member and former Chairman of the membership committee
7 of the Toronto Board of Trade, there is considerable
8 inquiry made at the time a new application for membership
9 comes up and I have seen a great number of instances
10 where people are refused membership because of
11 apparently shady business practices.

12 MR. LAWRENCE: I'm not talking about
13 that, I'm talking about morality in business as such.
14 I don't know, maybe this is not considered immoral,
15 I don't know, but that's what I'd like to find out
16 anyway. I'm not a businessman any more, I'm a
17 politician.

18 MR. HOWARD: The Chamber does not
19 have a code of things that should be done and shouldn't
20 be done, not in that detail. What's moral today may
21 not be moral in the next generation.

22 MR. LAWRENCE: Here is something
23 that you have not considered. You have considered, I
24 don't know, maybe whether something should be expressed,
25 whether credit should be expressed in dollar value
26 or represented value. I was merely asking if you had
27 considered some of these other things that are coming
28 to our attention.

29 MR. HOWARD: No, we didn't.

30 MR. LAWRENCE: O.K.



1 THE CHAIRMAN: Mr. Bukator?

2 MR. BUKATOR: On page 1 of the brief
3 it says here, "(a) The Chamber believes in free
4 competitive enterprise, and is opposed to any form of
5 government whose doctrine attacks, limits or destroys
6 basic freedoms". You put that in your brief for what
7 purpose?

8 MR. HOWARD: To introduce the
9 environment under which we think and operate, and
10 perhaps the reason we are here at all. We appear here
11 not as participants in credit but merely as philosophers
12 of business. But it would perhaps add to my terms of
13 reference, why I am here, if we put down a few of the
14 things that we every year reaffirm. This is why we
15 have said what we then proceeded to say.

16 MR. BUKATOR: The reason I asked
17 that question was I don't suppose there is a man around
18 this table who feels any differently about that than
19 you do.

20 MR. HOWARD: That was lifted directly
21 from our policy book, it wasn't created and composed
22 just for the sake of this meeting.

23 MR. BUKATOR: I was wondering -- you
24 say that you should express cost in dollars rather than
25 interest. There has been quite a debate here, you know,
26 the last three or four days, about whether it is possible
27 intelligently to compose some kind of a table to put
28 percentages into a formal document that would reveal
29 to the public that it is costing them so much. If this
30 calculation could be made, I gather from your answer to



1 Mr. Irwin that if it's not too complicated to handle
2 or too costly -- I don't know whether you used those
3 words -- without interfering with free enterprise, then
4 it would be quite in order with the purpose. Is that
5 right?

6 MR. HOWARD: Yes, sir. We can't
7 object to that.

8 MR. BUKATOR: I suggest that maybe
9 what we are trying to do in this Committee, if I might
10 give an opinion, is we are trying to catch the culprits
11 who have not been doing business in an ethical way and
12 I think the Chamber is also interested in that. But I
13 can't understand why any particular group will come
14 before this Committee and say that it should be dollars
15 and not interest percentagewise also, if it can be
16 worked out in a simple table. I was speaking to a
17 gentleman who belongs to a large auditing firm and he
18 did inform me that any kind of a table could be very
19 easily worked out by their actuaries and by their
20 experts. So much so that anyone with a public school
21 education could read it and transmit that into a form
22 or put it in to a contract. The reason why I say this:
23 We had a gentleman here yesterday from General Motors
24 and his brief indicated that on new cars the percentage
25 rate was 7 to 8%, $7\frac{1}{2}$ to 8%, on a new car. When he
26 calculated this through he indicated that \$2,000 would
27 buy a new car for which it would cost you and I about
28 \$400.00 interest, cost. Now then if you kept that money
29 for two years without paying anything on it, then
30 definitely it would be 8%. But if you amortize that by



1 payments, then the figure goes up to $14\frac{1}{2}\%$. Which did
2 not come out too early in this Committee last night.
3 And that was only one formula or one rate of interest
4 that they charge for the new car and there were four
5 others that this large firm used for older cars. And
6 they segregated them and put them in different depart-
7 ments and -- I don't know, the older the car meant the
8 more you paid in interest. Would not this be a good
9 thing if this could be revealed to the public when
10 they buy these cars: That your new car will cost you
11 $14\frac{1}{2}\%$, your two year old car will cost you 15, 17, 19%,
12 your older car will cost you more. Don't you think
13 that kind of a translation into a form, added into the
14 form, would not enlighten the individual who was going
15 to buy it? Maybe he would say, "Maybe my banker
16 will let me have it on a demand note for six months
17 or a year or two at six or seven percent, whatever
18 the charge". This is what I have been trying to
19 convey to the people who have come before this Committee,
20 Mr. Chairman. I don't think that here, at this point,
21 we are heading in a different direction. I think we are
22 all concerned about the same thing.

23 Now then, I might ask you a question.
24 I think I know the answer to it. How many of your
25 members of 50,000 are business people as compared to
26 working people? Do you have that in --

27 MR. HOWARD: They are all business
28 people.

29 MR. BUKATOR: They are all business
30 people.



1 MR. HOWARD: Business people work too,
2 you know.

3 MR. BUKATOR: I admit this. I thought
4 I worked for what I got. I didn't think I got it for
5 nothing. But I am to understand that business people
6 looking out for these nuisance values, or nuisance
7 additions to their work on a \$20.00 item, -- there may
8 be a place where we would have to saw it off not to
9 interfere with that \$20.00 purchase. But we must be
10 able to reveal to the public that they are being taken,
11 and in many instances they are and don't know it. This
12 is why I speak this way and I'm sure everything I have
13 said here this afternoon the Chamber will go along
14 with. At least I hope the people in Niagara Falls do.
15 I'll be talking to Mr. Murray when I get back and the
16 President too. I feel that you have indicated that
17 you express the opinion of all the Chambers involved
18 in this brief. But you speak in a general way.

19 I sometimes wonder, Mr. Chairman,
20 if I might take a little more of your time. I was
21 fortunate enough at one time to have the time to read --
22 Plato, I think it was -- and he indicated -- Socrates,
23 I believe -- said that there were two types of people
24 in this world of ours. One group were philosophers and
25 the other were politicians. And then he went on to
26 describe a politician. I wouldn't want to tell you what
27 he said of a politician because I wouldn't want to be
28 put in that category. But we have to be all things to
29 all men, according to Plato, anyhow. Now I don't want
30 to be all things to all men. I think we have convictions



1 and we have a sworn obligation to the public. Unless
2 someone can come to this Committee and show me something
3 any more concrete up to this point, I still believe
4 that an interest cost should be revealed in the price
5 of the item. I think we should know dollarwise and
6 we should know interestwise what we are paying for what
7 we are getting.

8 That's my contribution for what it's
9 worth.

10 MR. IRWIN: Mr. Chairman, may I
11 address myself to Mr. Sedgwick. He has handed me this
12 very interesting problem and he thinks that I can do
13 this in five minutes. What I am spending my time at
14 is writing you a note to explain why I can't do it.
15 (Laughter)

16 MR. SEDGWICK: (Inaudible) -- payable
17 in equal instalments over 19 months and the interest
18 is 2% on the first \$300, 1% on the next \$700 and $\frac{1}{2}\%$
19 on the next \$90 stated at the time that the loan was
20 made. What is the effective interest rate for the
21 \$1,090.00. Now I just ask Mr. Irwin. Everybody
22 says it's simple.

23 MR. BUKATOR: Like that moon shot
24 thing that goes to the moon and this thing that revolves
25 the earth in the matter of a note from Mr. Sedgwick to
26 Mr. Irwin. I think it will take a few minutes.

27 MR. IRWIN: Mr. Chairman, may I say
28 this is both difficult and easy. If that sounds like
29 a paradox, I'll explain it. I cannot figure out Mr.
30 Sedgwick's formula here in five minutes or ten minutes



1 while there is a lot of conversation and so on going
2 on. I can do it and I will deliver it -- and that's
3 the hard part. I couldn't do it, as somebody suggested,
4 on the finder of a car. I make no pretense in suggesting
5 that that would be possible. But, and here's the easy
6 part, Mr. Sedgwick, **you** give me a week and I will work
7 you out a table from \$1.00 to \$1,500.00 in any combination
8 you wish and from 1 to 36 months and I'll prepare you
9 a table from which you then, easily, can pick out the
10 rate of interest. In other words, the preparation of
11 the table would be hard and it would take considerable
12 time, maybe even a week isn't enough, I don't know.
13 But I am saying it is not an impossible arithmetical
14 question and given time an accountant or an actuary
15 could produce a table which would show the effective
16 rate of interest per annum on a reducing balance on
17 various combinations under the Small Loans Act and
18 then the salesman would have that booklet available
19 and if you were borrowing X-dollars, \$1,100, he would
20 be able to look up the rate just as an insurance
21 salesman does when he is consulting his book, and pick
22 out the rate. So that, as I said at the beginning, it
23 is difficult and easy. It is difficult to prepare the
24 table. I can't do that in five minutes. I can't
25 possibly do it this afternoon --

26 MR. REILLY: But this table would
27 only apply to the Small Loans Act?

28 MR. IRWIN: I grant you, Mr. Reilly.
29 I don't want to get into a defensive position here, but
30 I've been given a mathematical problem and even in



1 regard to the more complicated form under a conditional
2 sales contract, again, given time and calculators and
3 so on, tables can be prepared.

4 MR. LETHERBY: Supposing you do come
5 up with this table, you are only going to satisfy two
6 members of this Committee, yourself and George Bukator.

7 MR. MacDONALD: Mr. Letherby at this
8 point has come into the Committee opposed to having a
9 table produced.

10 MR. LETHERBY: Because nobody can
11 understand and nobody can work it out. There would have
12 to be a series of tables --

13 MR. IRWIN: May I make a statement?
14 I wish to correct the impression that I am, let's say,
15 a disclosure man. My function on this Committee is,
16 whenever suggestions are made in these briefs, I think
17 they have to be examined from that point of view and I
18 say, and I say it again, that it is not true that it
19 cannot be done. And I would be wrong if I said anything
20 else. It would be mathematically wrong to say that --

21 MR. LETHERBY: I would agree with that.
22 What I can't understand and won't go with -- I don't
23 understand interest and therefore won't go with it.

24 MR. IRWIN: It is not my suggestion to
25 promote one thing or the other.

26 THE CHAIRMAN: Mr. MacDonald, do you --

27 MR. IRWIN: I want to make this
28 clear. I feel that there has been a misunderstanding.
29 When these points come up I have to give my opinion from
30 the mathematical point of view and nobody yet has said



1 that it cannot be done. It is not my position on this
2 Committee to take any position as to whether it should
3 be done or it shouldn't be done. I am not standing here
4 as a promoter of it in any way. It happens that these
5 statements were made and I have to --

6 MR. MacDONALD: That leave me alone,
7 according to Mr. Letherby.

8 MR. IRWIN: I don't want to be put
9 in a position of taking one position or another.

10 MR. LETHERBY: (First part of state-
11 ment inaudible) -- they say that we go for dollar and
12 cents, you see, and we don't like this interest situation
13 because it is too difficult and too complicated.

14 MR. IRWIN: You are speaking for
15 yourself and not the other members of the Committee.

16 MR. MacDONALD: As a matter of fact
17 the interesting thing this afternoon, Mr. Chairman, is
18 that if George is feeling lonely, I'm with him. And
19 what encourages me is, if I understand the English
20 language correctly, the Chamber of Commerce is with us
21 too. In other words, if it is possible to work out
22 a formula.

23 MR. LETHERBY: Every time we come to
24 that "if it's possible". We say it's possible but we
25 can't do it.

26 MR. MacDONALD: Just a minute. The
27 purpose of this Committee is to apply ourselves to that
28 and the significant bit of evidence, which doesn't quite
29 jibe with a lot of the evidence submitted to this Committee
30 is, that if the formula can be produced, the Chamber is



1 not opposed to it. Now, we have had many people come
2 before this Committee and say they are opposed to it
3 and they gave their own particular reasons why they were
4 opposed. The Chamber, in its wisdom or otherwise, this
5 afternoon, doesn't want to get into the reasons. But if
6 we can get a formula, let's take a look at it. Let's
7 not dismiss the possibility of getting a formula at this
8 stage.

9 MR. REILLY: I think the Chamber, Mr.
10 MacDonald, has made its position fairly clear on page 4.
11 It says it "advocates disclosure of each charge, and of
12 total charges, in dollars, for borrowing money or for
13 owing money. This information should be presented
14 automatically and without specific request, in a form
15 appropriate to the business. Dollars are the unit of
16 measurement that make most sense to reasonable individual
17 consumers, and the full disclosure of the dollar cost
18 of credit is current practice among responsible credit
19 grantors." I think they make their position fairly clear.

20 MR. MacDONALD: And when we have the
21 record of the testimony, which is being recorded by the
22 magnificent mechanical devices of our day and age, we
23 will read that Mr. Howard says that if it is possible to
24 produce a formula which is a practical -- that can be
25 comprehended -- that the Chamber has no objection to it.

26 MR. REILLY: I don't think that is
27 quite so, Mr. MacDonald. As I understand it --

28 MR. MacDONALD: Since we are getting
29 into the realm of philosophy this afternoon -- I think it
30 is rather useful sometimes to get away from the mundane



1 details and get back to the philosophy -- my first
2 question or so hasn't any direct relationship to credit.
3 Forgive me, sir, I've sat on many Committees and I've
4 gotten this general introduction from the Chamber, which
5 is a quote from your code of ethics and your principles
6 and so on. May I ask you this frank question in view
7 of what you have listed as a, b and c here -- Is the
8 Chamber opposed to a mixed economy?

9 MR. HOWARD: Yes, I think it is, Mr.
10 MacDonald.

11 MR. MacDONALD: In other words, the
12 Chamber is opposed to the continuance of the existence
13 of Hydro as a publicly owned institution in this Province?

14 MR. HOWARD: I wouldn't paraphrase it
15 that way. You expressed it as a mixed economy, mixed
16 99% to 1%, we could, I think, be content with that.
17 Maybe 50 to 50 we would be less content. We are opposed
18 to the economy getting any more mixed than it is now, if
19 I may say it that way, sir.

20 MR. MacDONALD: Well, even in a
21 country which is professedly attached to the principle
22 of a mixed economy, like Sweden, there is never more than
23 approximately 20% of it coming under public ownership, so
24 let's not get into exaggerations on the thing. For ex-
25 ample, I would take it then that the Chamber is opposed
26 to the proposition when the government of Ontario, a good
27 conservative government -- back in 1957, anything to
28 make it illegal for insurance companies to sell standard
29 ward's coverage for hospital insurance. You are opposed
30 to that?



1 MR. HOWARD: I guess if we were asked
2 at that time -- it's a matter of record the way we felt,
3 Mr. MacDonald -- if I may be excused from going on that
4 line of philosophy at this meeting, I am not philosophic-
5 ally on that particular wave-length.

6 MR. MacDONALD: Well, let me pursue
7 it as we get closer to the field which is within the terms
8 of reference, for example, only working from your brief.
9 May I ask you the factual question: What powers of
10 discipline have you in the Chamber of Commerce? Over
11 your membership?

12 MR. HOWARD: I don't think we have
13 very many.

14 MR. MacDONALD: In other words, for
15 example, when it was clearly indicated that the electrical
16 industries of the North American continent were guilty
17 of unethical practices to the point of gouging hundreds
18 of millions of dollars from the public of the North
19 American continent, the Chamber of Commerce takes no
20 action vis-a-vis a member who is guilty of unethical
21 conduct?

22 MR. HOWARD: The Ontario Chamber of
23 Commerce has no corporate members, Mr. MacDonald. We
24 only have members representing the Boards of Trade of
25 242 towns and cities in this Province. The Chamber of
26 Commerce of any particular city or town might apply itself
27 to that question, but the Ontario Chamber of Commerce --

28 MR. MacDONALD: Are they constituent
29 bodies of you?

30 MR. HOWARD: No, just the 242 towns and



1 cities. Our members are Toronto, London, Hamilton,
2 Bancroft --

3 MR. MacDONALD: Except that you are
4 a federation of the local Chambers of Commerce?

5 MR. HOWARD: Yes, sir, that's right.

6 MR. MacDONALD: But they are a
7 constituent part of your organization.

8 MR. HOWARD: Well, some of them don't
9 pay their dues, but most of them do. Some of them
10 elect not to be part of the Ontario Chamber.

11 MR. MacDONALD: Let us suppose that
12 a member is a member of your body, out in London or
13 Barrie or Peterboro and so on, and he is convicted of
14 unethical conduct. Is he then dismissed from membership
15 in your organization?

16 MR. HOWARD: I wouldn't know. From
17 the Ontario Chamber, certainly, because he wasn't a
18 member to start with.

19 MR. MacDONALD: Well is he -- I know,
20 this is like going back to the old problem of when you
21 take it into the trade unions circles, nobody is a member
22 of the Canadian Labour Congress because they are members
23 of Local Unions and the Unions in turn are members of
24 the CLC. But, if somebody is guilty of unethical conduct
25 as an individual within the organization of which he is
26 a member, and that body is part of your federation, is
27 any action taken at your level or at the local level
28 against a person who is found guilty of unethical conduct?

29 MR. HOWARD: There is no action taken
30 at our level, but I do recall of action taken at a local



1 level and I think it was in the United States, but they
2 have much the same philosophy as ours, as far as Chambers
3 of Commerce go, to deal with some incident like the one
4 you are referring to and I don't remember the name of
5 the Company and I don't think it was the electrical
6 industry. But I do recall somebody in Kansas City or
7 St. Louis being asked to resign from the Chamber of
8 Commerce for some --

9 MR. MacDONALD: Well, isn't the
10 import of your reply that normally ~~it~~ isn't done?

11 MR. HOWARD: I would say that normally
12 it isn't done because I don't know of all these offences,
13 the presumed offences, have, in fact, actually been
14 acknowledged all around.

15 MR. MacDONALD: Well, I don't want
16 to get into grey areas. I'm talking about an area where
17 they have been convicted. They have violated the law
18 and, you see, this becomes very difficult, Mr. Chairman,
19 because I'm going to get back to consumer credit. I have
20 read in the House a number of times from a standard
21 text called Horizons, New Horizons in Criminology, in
22 which a study was made of 600 corporations in the United
23 States and it was found that 60% of these 600 corporations
24 were, in normal parlance, habitual criminals. That is,
25 they had been convicted at least four times. Your
26 habitual criminal, if you are an individual and you are
27 convicted four times, of some violation of the law,
28 -- price-fixing, breaching of war-time regulations, or
29 what you will -- now, I think it is a fact beyond
30 dispute that normally (some case out in Kansas is the



1 exception that proves the rule) no action is taken, when
2 they are guilty of unethical practices. You see now,
3 this brings us closer back to the problems we have to
4 deal with here and I want to pick up from where Mr.
5 Lawrence left off.

6 MR. REILLY: Is that a function of
7 the Chamber of Commerce, Mr. Howard?

8 MR. MacDONALD: O.K., but we are
9 coming back to Mr. Lawrence's area of questioning, which
10 is a very valid one. Mr. Lawrence asked Mr. Howard:
11 Do you make studies of unethical practices? Do you, for
12 example, give leadership in terms of rubbing out the
13 new unethical practices that are emerging in business?
14 Because if you don't, because of the fairly sizeable
15 body of evidence of its existence, then there is only
16 one body that is the legitimate body to step in and do
17 it and that is the government as the protector of the
18 public welfare.

19 MR. HOWARD: Perhaps so, perhaps so.

20 MR. MacDONALD: Well, we are back
21 to the basic point. You can't complain about government
22 intervention when you are not doing the job to clean up
23 your own house.

24 MR. HOWARD: We haven't had any
25 specific powers delegated to us. Maybe if we had we
26 could do a pretty good job.

27 MR. MacDONALD: That's an interesting
28 point. Well, you see, on the Trade Union side, for
29 example, -- forgive me, I don't want to put this pro-
30 vocatively -- but on the Trade Union side, if they have



1 a Union which they consider is unethical, they throw it
2 out.

3 MR. LETHERBY: Often they are trade
4 associations as well as companies.

5 MR. MacDONALD: Yes, but I have never
6 heard of -- it's not a very general practice -- in Canada
7 he is thrown out, not in the United States, but in
8 Canada. But there is a recognition of an obligation to
9 clean your own house because if you don't clean it
10 then the government, on behalf of the people, has to
11 do it.

12 MR. LETHERBY: That's what they want
13 us to do, clean it up.

14 MR. HOWARD: Well, are these offences
15 against the trade union movement or against the law? --
16 for which they are kicked out.

17 MR. MacDONALD: Offences against the
18 law.

19 MR. HOWARD: They are kicked out for
20 that reason?

21 MR. MacDONALD: Right. I'm now back
22 into -- here's an electrical industry which is guilty of
23 a violation of the law -- and 60% of the 600 corporations
24 in the United States, leading corporations, were guilty
25 of at least four criminal acts, they were habitual
26 criminals and nobody acted to remove them.

27 Now, I'm really on your side because
28 I have argued in here and I will continue to argue that
29 it is far better if an organization will clean its own
30 house, it's far better that the mortgage brokers should



1 clean their own house, it's far better that every group
2 do it, because if the government intervenes you get
3 emotional undertones and overtones. But I submit to you,
4 sir, that the business world generally, through the
5 Chamber of Commerce and its other organizations, doesn't
6 usually do the job. And therefore you can't on the one
7 hand profess your ethical principles and say the govern-
8 ment should stay out when you are creating a condition
9 in which nobody can clean it up except the government
10 because you won't do it.

11 MR. HOWARD: But, just a minute --

12 MR. MacDONALD: I'm in the argument
13 for a moment now, let's not confuse it, if you want to.
14 Is this a fair statement of the thing?

15 MR. HOWARD: It's a cogent statement,
16 Mr. MacDonald. I would have to think it over but I
17 thought it was completely fair. I don't think you are
18 unfair. We do have the business protective functions
19 of local Chambers which in cities like Windsor -- one
20 I am familiar with -- are pretty active. The Windsor
21 people have been working for quite a while on a certain
22 allegedly unfair business practice down there and I
23 think it has been referred to the Ontario Chamber of
24 Commerce and is in our -- well, it came up at the last
25 Annual Meeting and the meeting before that. They aren't
26 able to quite decide what they are going to do about it,
27 but this is in line with the kind of thing you are
28 mentioning. But I don't know, I can't document an
29 instance of a Chamber of Commerce expelling a corporate
30 member. I can see where they might. Perhaps I can see



1 where they should. But the Ontario Chamber of Commerce,
2 whom I represent only today, officially, simply, it's
3 terms of reference don't envisage any such incident
4 coming up.

5 MR. MacDONALD: You see, Mr. Howard,
6 let me put it another way. We have had come before this
7 Committee any number of companies involved in this
8 finance field and credit industry field, in which there
9 is certainly some doubt as to whether all the practices
10 are ethical. I expect that all of those companies are
11 members of your association. And the question I ask
12 myself is, in your interests, since you have got a code
13 of ethics -- it is always been -- forgive me -- being
14 paraded -- it usually takes half of a brief, in my
15 experience in these Committees. In your interest, it
16 seems to me, it's your job to see whether they are
17 living up to your code of ethics and if they are not
18 living up to it, you might as well throw your code out.

19 MR. HOWARD: We have tried to express
20 our code of ethics at two points in here. The opening
21 sentences are very general and I would beg you, if I
22 might, to perhaps direct your discussion at the closing
23 of the second last paragraph on page 5, which is an
24 "in conclusion" sort of a thing. These are the things
25 we are in favour of apropos of the work of this particular
26 Committee and on the top of page 4 we have a general
27 statement of the way we feel about the terms of reference
28 as they were sent to us by the Chairman of this Committee,
29 in which we have on this occasion applied all our efforts.

30 MR. MacDONALD: I agree with you. Now,



1 let's take this first one. "The Chamber will support
2 measures designed to encourage the operation of ethical,
3 responsible enterprises, and simultaneously discourage or
4 even remove those that are not grounded on these precepts."
5 The only point I am making, Mr. Howard, and I don't want
6 to make it provocatively, is that much of what we have
7 to do now in terms of implementing what you have said
8 there, it's because of a failure within, among industry,
9 to make certain that their members live up to the code
10 of ethics that you are professing. Now, if you won't do
11 it we have to do it. If we have to do it, I think
12 sometime soon you should quite coming and stating as
13 your basic premise that government shouldn't intervene.

14 MR. HOWARD: We have come here and
15 said that we will support intervention in this particular
16 case, Mr. MacDonald.

17 MR. MacDONALD: We have got to do the
18 job.

19 MR. HOWARD: I think so.

20 MR. MacDONALD: You see, this is
21 where it gets tricky, right in to the consumer credit
22 field, another sentence in your brief on page 3, the
23 first paragraph: "Perhaps most important, he is protected
24 by the employment of his native intelligence and other
25 emotional and intellectual qualities, against buying
26 anything he doesn't want". Now, let me put it bluntly,
27 sir, this is just way off the beam because it is very
28 flattering to say that the average person is going to be
29 protected by his native intelligence, but I certainly
30 have come to the conclusion -- I won't speak for Mr.



1 Letherby -- I certainly have come to the conclusion that
2 our problem is that the average human being, the average
3 amateur is licked before he starts when he comes into
4 conflict with a slick salesman on a door-to-door propo-
5 sition.

6 MR. HOWARD: How can the Chamber of
7 Commerce correct that?

8 MR. MacDONALD: The salesman is
9 operating for a company which is a member of the Chamber
10 of Commerce.

11 MR. HOWARD: Maybe he's not.

12 MR. MacDONALD: Okay, but in some
13 instances he is, let's not confuse this. In some
14 instances he is and nothing is done to make certain that
15 that man who is at the door is operating in accordance
16 with the Chamber of Commerce Code of Ethics.

17 MR. LETHERBY: Well, you see, Mr.
18 MacDonald, what I was trying to say a moment ago, to
19 save time. I've been a member of the Chamber of Commerce
20 for years, locally. Now, supposing one of your members
21 do violate some code of ethics in relation to law.
22 Suppose we tell him we don't want him to retain his
23 membership any longer and he says, "To hell with you.
24 I'm sorry I ever got in here". That's no punishment.
25 So he --

26 MR. MacDONALD: So he goes out and
27 continues to violate with impunity and gives the whole
28 Chamber a bad reputation.

29 MR. LETHERBY: I do think that the
30 law or the proper authority should step in there and



1 penalize that man, but don't say because we kick you
2 out of the Chamber of Commerce we have corrected your
3 misdemeanor.

4 MR. HOWARD: We disassociate our-
5 selves from his misdemeanor or his behaviour.

6 MR. MacDONALD: Well, my complaint
7 is that you don't even bother to disassociate yourself
8 because as a rule you don't expell a man who is guilty
9 of unethical practices, you don't even bother to seek
10 out the unethical practices.

11 MR. HOWARD: We send out, in many
12 cases, warnings -- it's just the poor best that we can
13 do -- but we send out warnings to people to beware of
14 just this kind of person that you were describing. I've
15 seen it right in my own plant. "Read Before you Sign" --

16 MR. MacDONALD: That's like warning
17 the community there is a murderer in your midst, instead
18 of going out and apprehending the murderer.

19 MR. LETHERBY: But your not a police-
20 man are you son? (Laughter)

21 MR. REILLY: A point of interest --
22 in referring to the habitual criminal, is that in
23 connection with the violation of the Combine's Act?

24 MR. MacDONALD: No, this is generally
25 speaking. The term habitual criminal is referred to an
26 individual if he has four convictions. This is a term
27 used --

28 MR. REILLY: When you were referring
29 to this happening to this particular group in the
30 electrical industry --



1 MR. MacDONALD: This is one, this is
2 one. But I can get you the list. I'll show you the
3 book.

4 THE CHAIRMAN: Mr. MacDonald, do you
5 have any more questions?

6 MR. MacDONALD: No, I have no more.

7 THE CHAIRMAN: Mr. Sandercock? Mr.
8 Reilly, any questions on the brief?

9 MR. REILLY: I think as far as most
10 of these things that Mr. MacDonald has been bringing up
11 have to do with a lot of merchandising and part of the
12 problems that we have have been from the standpoint of
13 merchandising rather than from the standpoint of
14 consumer credit and I can't share his opinion in that
15 there have been a number of people before this Committee
16 that perhaps have violated certain things. I can't
17 share his opinion here. I think there have been,
18 comparatively speaking, very few, and I think they have
19 been brought to light and I think the publicity in
20 connection with it has been very helpful. I think that
21 from the standpoint of one of our first briefs that
22 we had from the Better Business Bureau, where they
23 pointed out their investigation into this finance deal
24 was that there are very few complaints from the standpoint
25 of loans, that they had more complaints from the stand-
26 point of door-to-door or, as we were talking about, the
27 home improvement field was the biggest field, more than
28 any other. I think they proved that to us from the
29 standpoint of their figures, Mr. MacDonald.

30 That was the only point that I was



1 going to make.

2 MR. MacDONALD: That being the case,
3 Mr. Chairman, this is one field we haven't even gotten
4 around to.

5 MR. REILLY: That's right. This is
6 a field we should give some thought to.

7 MR. LETHERBY: I think I have said
8 pretty much all I have got to say. I'm in fair agree-
9 ment with the aims and objectives of the Chamber of
10 Commerce and Boards of Trade, and I think it is the
11 intention and the purpose of the Chamber to create
12 a nice, healthy atmosphere, you know, for commerce.
13 But I can't see where they should do the policing of
14 these unethical practices. I think we have got to go
15 to some other authority to correct that.

16 Now, just before I close, George
17 Bukator has a story that I want him to tell. Tell
18 that story, George, about -- that you told me last night.

19 MR. BUKATOR: About the seller?

20 MR. LETHERBY: Yes. Speak up, George.

21 MR. BUKATOR: Yes. Well, I was
22 living in Chippewa for ten years and every now and then
23 in this little village, two or three carloads of very
24 fine looking men and women would pull out to the village,
25 get out at the square and start selling their books
26 from door to door. And they would get in and pressure
27 people who couldn't afford to buy, in my opinion, and
28 read, and I didn't want them to do that. So I called
29 our police in and I had the Sargeant of the Provincial
30 Police there and I was telling him I didn't think this



1 was proper, that they shouldn't do that, that kind of
2 a campaign. And I said "Is it possible legally to chase
3 them out?" While I am doing a good job of trying to
4 clear up the situation, the policeman is in my office
5 downstairs and I lived in the apartment behind, upstairs.
6 At least my wife was home. While I am telling this
7 officer that he should stop them if at all possible,
8 out he goes and in some fashion he persuaded them to
9 leave. If they were off base, I don't know. But I
10 remember sitting down to dinner that night and my wife
11 says to me, "Well, you will have something to read now".
12 She had bought three books. (Laughter).

13 THE CHAIRMAN: I don't think we
14 should leave the impression that members who are being
15 represented here today by the Ontario Chamber of
16 Commerce (rest of sentence inaudible).

17 We do appreciate -- do you want to
18 sum up?

19 MR. HOWARD: I would, if I may, Mr.
20 Chairman, make one further statement in connection with
21 something Mr. MacDonald said, in connection with the
22 possibility of devising a simple percentage expression
23 of the cost. He said that we said we were in favour
24 of it, we would not be against it. I'd like to draw
25 an analogy, once again, if I might. I would be in favour
26 of perpetual motion, but I just don't think it can be
27 done. But when somebody presents me with one I will look
28 at it objectively, I hope, and if it is perpetual motion
29 I will buy it. But up until then I just maintain a
30 reservation that it can be done.



1 MR. SEDGWICK: I was thinking about
2 that too, Mr. Chairman. We have asked so many witnesses
3 whether they are in favour of the percentage terms and
4 they all say, like Mr. Howard, well, we don't think
5 it is practical but show us how you do it. Mr. Howard,
6 let me tell you this, for your benefit, that no one has
7 yet shown us how to do it. Mr. Irwin said it could be
8 done but he wouldn't give me the schedules so that I
9 could look at them and say, "Well, this is how you do
10 it".

11 MR. MacDONALD: I make this seriously,
12 Mr. Chairman, because obviously we are going to be
13 wasting a lot of time thrashing old straws. Before we
14 meet again, if it is possible to do this, in his
15 capacity as C.A. for this Committee, for Mr. Irwin to
16 come up with it --

17 MR. SEDGWICK: All we need is to have
18 a prepared schedule so that if we intend to ask them
19 this question we can give them a copy and say, "This is
20 how it is done". I started -- I must say this, Mr.
21 Howard -- I was of the opinion of Mr. MacDonald and Mr.
22 Bukator that it was very simple to say that you have a
23 rate of 17.63. But the more I tried to do it in my poor
24 head, the more I asked if this is feasible -- all the
25 permutations and combinations and calculations and the
26 variables and so forth. Now, if somebody shows me this
27 schedule (rest of statement inaudible)

28 THE CHAIRMAN: Mr. Howard, on behalf
29 of the Committee I would like to thank you and the other
30 members of your Committee for presenting your brief



1 today. It has been very interesting and I'm sure
2 provoked a great deal of discussion here today.

3 MR. HOWARD: Well, Mr. Price, it is
4 very good of you to thank me. I am very grateful to
5 you but I trust that you and your colleagues will look
6 upon us and look upon my presence here as a duty that
7 we have, the duty of a citizen or group of citizens to
8 present their views and to help in the formulation of
9 the proper way to run this Province and as such, sir,
10 we don't need thanks at all. We thank you.

11 THE CHAIRMAN: Gentlemen, that's all
12 officially that we have. We will adjourn for five
13 minutes and then the members of the Committee will
14 return and I have a few things to say before we adjourn
15 for the day.

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